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BUSINESS WEEK



Keystone

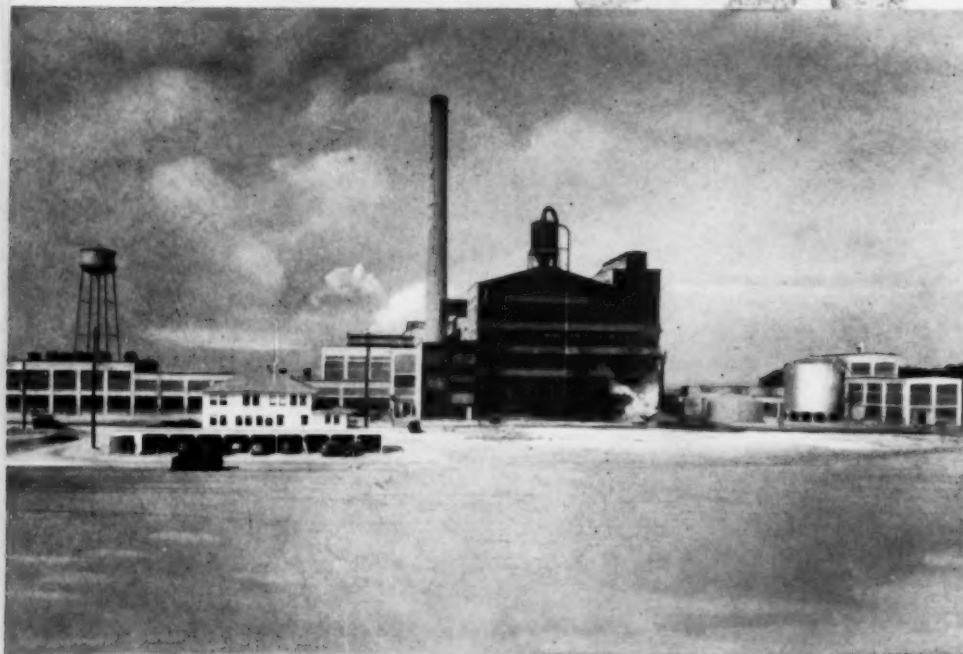
RAW-HILL
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AGENTS

UNCLE SAM'S MONEY—Treasury workers count
it as the Administration prepares to spend it.

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IT IS 60 YEARS SINCE THE BLACK HORSE CAME ASHORE



TO BUILD FOR INDUSTRY

For seventy-eight years, the BLACK HORSE of the SEA on the house flag of Merritt-Chapman & Scott Corporation has been a symbol associated with marine salvage and floating derrick operations—a service brilliant with the romance of achievement. Less well-known to the public perhaps, but only because less spectacular, is the record of sixty years of engineering construction for Commerce and Industry. From the standpoint of achievement, the Engineering Construction Division has earned a record comparable to that of the Salvage and Derrick Division—even exceeding it in volume and variety, as evidenced by more than 2900 completed projects,

totaling hundreds of millions of dollars. These have included pulp and paper mills, oil refineries, steel mills, industrial buildings, bridges, tunnels, docks, breakwaters and many unusual and difficult types of construction.

This remarkable record is the result of the resourcefulness and experience of a personnel picked from a variety of specialized fields, welded into one inclusive operating unit. The services of this same organization—geared to speed and economy in construction, supplemented by equipment facilities far beyond the usual and backed by financial capacity—are offered to prospective clients.

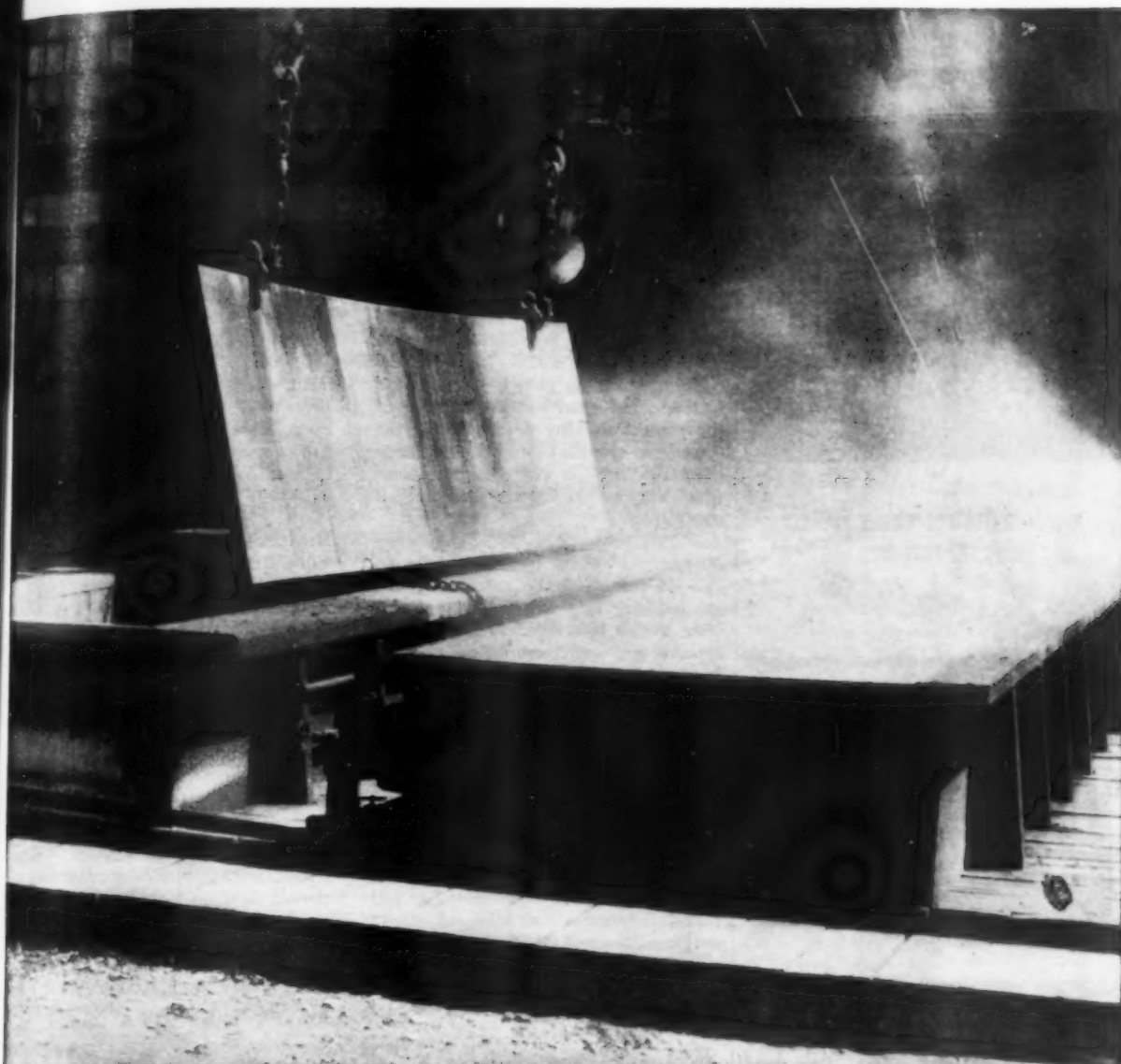
Above, plant recently completed at Fernandina, Fla., for Container Corporation of America.



For those interested, we have available a comprehensive and illustrated record of our activities.

ENGINEERING CONSTRUCTION DIVISION

MERRITT-CHAPMAN & SCOTT CORPORATION
17 BATTERY PLACE NEW YORK, N.Y.
FOUNDED 1860



BIRTH OF A BATTLESHIP

A typical example of Goodrich development in rubber

SWING... splash! Two tons of armor plate, soon to be part of a new U. S. battleship, plunge into a 42-foot "pickling" tank.

All this steel has to be pickled or cleaned with acid before it is fabricated. The only tanks that could hold the acid without corrosion were masonry or wood, but they leaked, caused acid accidents to workers, frequent delays for repairs.

Then Goodrich found a way to attach rubber to steel. Next, Goodrich engineers developed a combination lining of hard and soft rubber that stands

severe service, used it to line a steel tank, protected it further with an inner sheathing of brick and timbers.

This revolutionary Goodrich tank ends all danger and expense of leaks, lasts for years, prevents costly delays in production, saves money for every user.

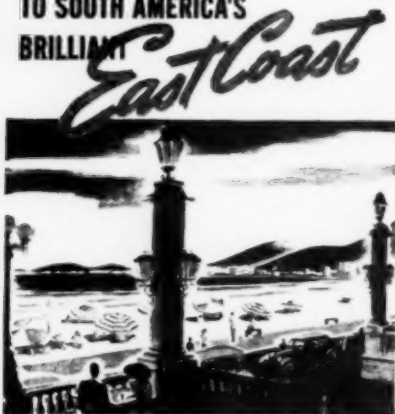
A far cry from belting, hose and the other ordinary products of a rubber company? No, because this illustrates what the 150 scientists, constantly at work at Goodrich, are doing to improve *all* kinds of rubber products—make them last longer, flex better, resist heat, air, oil, chemicals, abrasion. Results of

this work show up in the longer life of every length of Goodrich belt and hose, every sheet of packing. Dramatic and almost unbelievable as are some of the rare products of Goodrich, they are largely by-products of the improvements in rubber created by Goodrich engineers for standard Goodrich belting, hose and packing. The B. F. Goodrich Company, Mechanical Rubber Goods Division, Akron, Ohio.

Goodrich

ALL *products* *problems* IN RUBBER

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When your superb "Furness Prince" motorship glides into Rio's impressive harbour—you're grateful, more than ever, for the serene British management of your 13-day voyage. After the refreshing rest, charming entertainment, punctilious service you've enjoyed, you're more eager than ever to "discover" the glittering East Coast capitals. Thoughtful attention was given to every shipboard need—every delightful meal. Each day and evening of the trip was shortened by the conveniences, the luxuries, the brilliant diversions that attend a "Royal Route" journey to Rio . . . Santos . . . Montevideo and Buenos Aires.

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FURNESS Prince LINE

NEW BUSINESS

MEMBERS of California Avocado Association are on a 17-day Mexican pilgrimage. Ostensible purpose is to honor the parent Fuerte avocado tree in Atlixco, but the pilgrims will not object if attendant publicity stimulates interest in, and sales of, their erstwhile alligator pears.

TANGIBLE results already accruing to the American Silver Producers' Research Project (BW—Mar5'38,p40) have decided the backing group to establish a further fund assuring continuation of the project to May 31, 1939. In the considered opinion of experts, increased industrial use of silver is the lever which may eventually lift the metal out of politics.

NEWEST of model houses will be an "all-gas house" to be erected by the gas industry in a tree-shaded patio at New York's 1939 World's Fair. Latest types of gas appliances for cooking, refrigeration, space and water heating, and air conditioning will be displayed. The gas industry (working through Gas Exhibits, Inc., New York) is also projecting a spectacular "Court of Flame" with 90-ft. pylons wreathed in fire and a "perpetually burning gas torch roaring skyward to majestic heights."

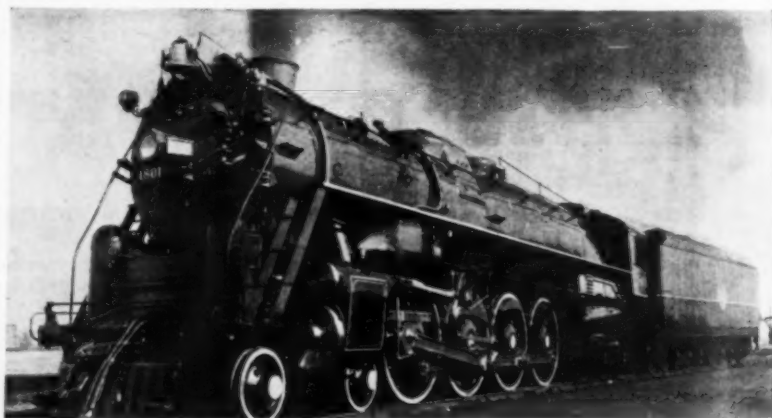
ON May 1, a new plant for the production of "thiokol" synthetic rubber will be officially opened at Midland, Mich., by Dow Chemical Co. Story behind the new development has as much to do with geography as with needed business expansion. Practically all the raw ma-

terials used by Thiokol Corp., Trenton, N. J., came from Dow. Nothing could be more logical than that Dow should do the whole manufacturing job, permitting Thiokol Corp. to concentrate on research, sales, and new product development.

BUSINESS executives of Key West, Fla., are amazed and grieved to read that their tight little island has no room for golf (BW—Mar26'38,p32). The statement stands, but R. F. Spotswood of Key West Drug Co. points out that they "have one of the most beautiful golf courses in Florida on an island next to Key West . . . built at a cost of \$210,000."

HOSIERY manufacturers and retailers will watch with keen interest the establishment of a new hosiery plant at Aberdeen, N. C., by Thomas A. Oliver of Jenkintown, Pa. Feature will be the use of eight new machines, developed in Germany by Dr. Robert Reiner, which will make full-fashioned hose in one operation. A new air-conditioned building will be erected by Aberdeen citizens.

THE Greater Chicago Hotel Association, after a survey of 1937 figures of a representative group of Chicago hotels, reports that taxes, licenses, and permit fees took 14.9¢ out of every dollar of room rent, payrolls an average of 35.8¢, heat, light and power 14.2¢, leaving 35.1¢ for supplies, equipment, furnishings, administrative cost, and advertising, before depreciation.



Atlantic Coast Line Railroad accepts the first of a fleet of twelve new high-speed steam locomotives from Baldwin Locomotive Works. Note design of tender whose two 8-wheel trucks depart from orthodox practice the better to carry 24,000 gal. of water and 27 tons of coal. Locomotive design permits sustained speed of 90 m.p.h. with 20 Pullman cars.

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WASHINGTON BULLETIN

WASHINGTON (*Business Week Bureau*) — President Roosevelt's fireside talk may not have done a first-class selling job, but he will get the money. It will be given him by Congress reluctantly and worriedly—both the reluctance and the worry being made clearly manifest to the most casual newspaper reader by the debates which will precede the vote.

Earmarking in Earnest

The bright enthusiasm of the whole thing will be further tarnished with the stringent earmarking by which Congress will do its utmost to control the spending of every possible dollar—not so much Harry Hopkins' money for straight relief, but principally Harold Ickes' money for public works.

Tying Roosevelt's Hands

Congress will vote the money because the group which is genuinely worried about the federal fiscal picture is a minority. It is a strong minority, but it falls far short of having enough strength to repeat what the insurgents did on the reorganization bill.

This minority will eagerly vote with another group, which wants the money appropriated but would like to tie Roosevelt's hands in so far as political favoritism is concerned. These two groups promise to make a majority for most earmarking provisions.

Ditching Local Contributions

Congress will reject the proposal to compel local communities to put up 25% of the cost of WPA work relief, because there are too many communities—Detroit and Chicago, for example—where local governments are so nearly bankrupt that such a contribution would be impossible. These happen to be the communities in which relief and employment on building projects are most sorely needed.

Picking Pump-Priming Flaws

New Deal economic advisers, both for and against pump-priming, are disappointed by the President's program. Pros and antis agree that, coming at this late date, it's not big enough and not sufficiently diversified to give depression a real kick in the pants. They argue that Roosevelt could have scored much more heavily by giving a bigger play to housing and railroad rehabilitation.

Specifically, they think he should have sought statutory authority to employ WPA labor on the clearing and

grading of private property for house construction and, instead of relying on the railroads to apply for equipment loans, should have arranged for the government to assume the cost, temporarily at least, of a big purchase program.

Should Have Included Ships

The President missed a good bet by not including shipbuilding in the pump-priming program, according to Maritime Commission officials who believe that if the merchant marine is going to be built up, construction will have to be financed 100% by the federal government. Shipbuilding, they point out, would have put a new face on resort to old recovery measures that are discredited in many quarters and would serve commercial and naval needs in the process of creating employment.

Byrnes Report Wreaks Havoc

More tarnish to Roosevelt's "we-planned-it-that-way" method of providing employment comes at the very outset of the spending battle in the form of a report from the Democratic-controlled Unemployment Committee, headed by Sen. Byrnes of South Carolina. Its two outstanding recommendations are repeal of the tax on undistributed corporation earnings and drastic modification of the capital gains tax.

The timing of this report is murderous, arousing bitter resentment among the army of federal press agents and public relations experts here.

Tax Compromise Prospects

The Byrnes report not only clutters up the spending battle, but it complicates the tax fight. The conferees now seem to be virtually stalemated in their attempt to reach a compromise between the House and Senate tax bills. Just before the report was made public, the Senators on the conference committee defied the House members to take the issue back to the House, and the House members were obviously afraid to do it.

However, the best guess still is that the Senate will eventually accept the remnant principle of the undistributed earnings tax in the House bill and the House in turn will agree to the Senate's version of the capital gains tax (*BW—Apr 16 '38, p14*).

Taking Realistic Attitude

Signs of White House concern about the economic situation abound. The President calls a solemn conference on

the advisability of lending government money to the utilities, after denouncing them for months for conducting a "capital strike." The President's own brother-in-law slips up to Dearborn to try to get Henry Ford to come to Washington, and the news leaks out in Detroit. Somewhere the sun is shining, but from the windows of 1,600 Pennsylvania Avenue can be seen clouds on the horizon which will need some of F.D.R.'s very best sunshine to dispel.

Don't Like "Escalator"

New Dealers who are heart-and-soul for wage-hour legislation are dismayed by the "escalator" feature of the pending bill. They fear that automatic upping of the minimum wage rate in annual 5¢ steps from 25¢ to 40¢ will knock new industrial expansion in the head.

They concede that companies planning new ventures might well think twice before taking a chance that business would be so good two or three years hence that they could afford to pay the higher wage rates.

Several administration officials would much rather see a flat minimum wage of only 25¢, since they can't get a bill empowering an administrative board to fix minimum wages by industrial groupings within a range of 25¢ and 40¢.

Bridges Gets a Breather

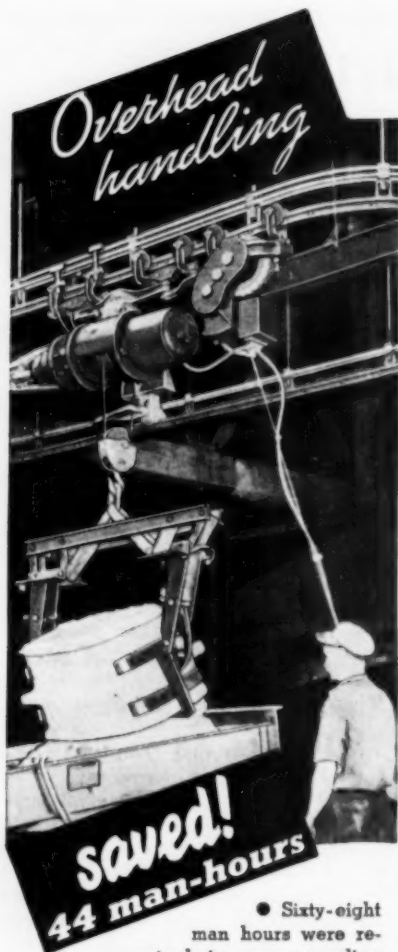
With some feeling of relief the Department of Labor this week shelved deportation proceedings against Harry Bridges, C.I.O. leader on the West Coast, for an indefinite period, pending appeal from the Fifth Circuit Court decision which held Communist Party membership no reason for deportation.

Confident that he will be allowed to remain in the country, Bridges meanwhile made an appeal in the West for \$15,000 from his longshoremen and warehousemen, to finance an early organization drive in Eastern and Gulf ports.

Collection Techniques

Washington headquarters of the C.I.O. are watching Detroit and Toledo nervously. Insiders have known for some time that the automobile union was "hard up" and that Homer Martin was seeking a loan to tide things over the slump period.

Desperately trying to make income match expenses, the U.A.W. opened up with a brand-new tactic this week, throwing out picket lines in Detroit to



● Sixty-eight man hours were required to pass annealing pots over the shakeout. To shorten this time, a special grab now picks up the pots before they cool. An electric hoist then raises the load whereupon an American MonoTractor propels the complete unit around a simple monorail loop.

Results: cooling time reduced—back-breaking labor eliminated—equipment cost returned in less than 6 months.

In every industry hazardous loads travel safely over American MonoRail systems that were designed to take the "heave" and "tug" labor out of handling operations. Costs are cut to a fraction—production improved both in volume and in kind.

Further evidence of successful application can be found in a new book which illustrates how easily monorail equipment meets many handling problems.

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force dues collection. Then Martin hesitated in the face of plant closures, public disapproval, and active opposition from part of his membership.

Meanwhile, union executives hope they can get something in Toledo which will make a talking point in Detroit. Willys-Overland's contract is up for renewal, and the union went in this week asking an annual wage guarantee and the check-off system of dues collection.

Break for Davis

Sen. James J. Davis, who was kept in the cabinet by three Presidents because the labor leaders now battling on the A.F.L.-C.I.O. front were just as dissentious then and could not agree on his successor, will be the star Republican senator on the TVA investigating committee. The other one is Lynn J. Frazier, really a Non-Partisan League radical.

Davis may surprise his critics, who think he has little on the ball. He is up for reelection this year and the prospect of certain defeat, looming for the last four years, has suddenly lightened as Keystone State Democrats split over the question of whom they should pick to pit against Davis.

Food and Drug Joker

With skids greased for enactment of the food and drug bill after five years of jiggerfritzing, the Department of Agriculture is very much upset by a joker in the Copeland bill as revised and reported by Rep. Lea's committee. The worrisome section would permit appeal to any district court for an injunction to restrain enforcement throughout the country of the inevitable regulations which the Secretary of Agriculture is empowered to issue after public hearings for purposes of clarifying the law.

Coupled with another provision that would require the Secretary to call a rehearing on proposed regulations when petitioned by substantial portion of an industry, this joker would, in the opinion of Department officials, hamstring enforcement of the new law and set them to chasing their tail around a stump.

SEC Bills Move Slowly

Legislation sponsored by the Securities and Exchange Commission is making slow progress, but there is a chance that, if the session drags, the Chandler bankruptcy bill, already passed by the House, will get through. The outlook for the Barkley trust indenture bill, reported in the Senate, is not so favorable, as it still has to run through hearings in the House.

Cramping Competition

Rapid decline in the number of firms bidding on government contracts has arrayed purchasing officials against

Sen. Wagner's bill to boycott firms that do not kowtow to the National Labor Relations Board. With only the hours limitation applying to most industries, the Walsh-Healey act has had the effect of reducing by 30% the number of bidders for government business.

Despite fear of a further curtailment in competition for government contracts, the Wagner bill may be hitched on to the spend-legend legislation and slide through.

Why Vic was Picked

Friends of "Li'l Dave" Lilienthal and the "other" Morgan are worried because Sen. Vic Donahey is the first-named senator on the TVA investigating committee.

Donahey doesn't think much of Roosevelt or the New Deal. He wasn't for Roosevelt before Chicago, and he refused point-blank to make a seconding speech for Roosevelt's nomination at Philadelphia when Jim Farley asked him to. Moreover, Roosevelt and Farley induced Charles West to give up a safe berth in the House to run against Donahey in the Ohio primary; West ran second.

Hence, the question in New Deal circles: "Why did Garner do this to Roosevelt? Why did he pick Vic?" Garner's answer: "Donahey is an auditor. Too few senators understand figures." All of which does little to quiet talk about a Roosevelt-Garner rift.

Aviation Board Prospects

Wire-pullers and other hopefuls already are scrambling for jobs on the new aviation board, which is expected to materialize soon.

The industry would like Ed Warner, who first advocated an independent commission, to head up technical administration, and Norman B. Haley, chief of the ICC air mail division and an experienced commission man, to keep the new board clear of administrative pitfalls. It would like to see the three other posts filled by business men not necessarily from aviation.

The chairmanship is likely to go to a big timer from the commerce or postoffice departments. Harlee Branch, Second Assistant Postmaster General, has many friends in the industry.

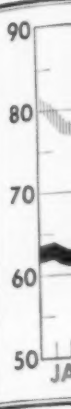
FHA Loans Slow Up

New mortgage financing, totaling \$180,000,000 since the national housing act was liberalized in February, is showing a tendency to flatten out, according to reports received by the Federal Housing Administration for the week ended April 26. The Easter holiday may be the reason.

Modernization loans, which figured heavily in FHA's operations in the early days, total \$12,000,000 since this credit plan was revived this year.

BUSINESS

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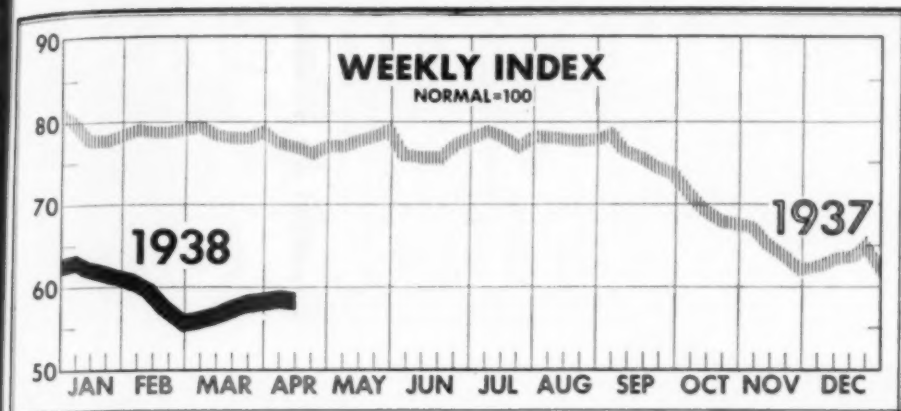
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BUSINESS WEEK'S INDEX OF BUSINESS ACTIVITY



The Figures

Latest Week	*59.2
Preceding Week	†59.3
Month Ago	58.4
Year Ago	77.7
Average 1933-37	66.0

PRODUCTION

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1933-37
*Steel Ingot Operation (% of capacity).....	32.4	32.7	33.7	91.3	56.2
*Building Contracts (F. W. Dodge, 4-week daily average in thousands).....	\$5,579	\$7,545	\$5,839	\$8,724	\$6,003
Engineering Construction Awards (Eng. News-Rec., 4-wk. daily av. in thousands).....	\$8,144	\$8,549	\$9,761	\$7,362	\$5,046
*Bituminous Coal (daily average, 1,000 tons).....	980	†879	1,083	972	950
*Electric Power (million kw.-hr.).....	1,958	1,990	2,018	2,173	1,773

TRADE

Total Carloadings (daily average, 1,000 cars).....	87	87	93	119	98
*Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	60	62	61	82	68
*Check Payments (outside N. Y. City, millions).....	\$3,474	†\$4,191	\$4,077	\$4,446	\$3,363
*Money in Circulation (Wednesday series, millions).....	\$6,380	\$6,394	\$6,328	\$6,383	\$5,791

PRICES (Average for the week)

Wheat (No. 2, hard winter, Kansas City, bu.).....	\$.85	\$.84	\$.91	\$ 1.36	\$.96
Cotton (middling, New York, lb.).....	8.93¢	8.63¢	8.74¢	13.97¢	11.30¢
Iron and Steel (Steel, composite, ton).....	\$38.59	\$38.62	\$38.78	\$40.47	\$33.35
Copper (electrolytic, Connecticut Valley basis, lb.).....	10.00¢	10.00¢	10.00¢	15.16¢	9.50¢
Moody's Spot Commodity Price Index (Dec. 31, 1931=100).....	141.1	140.1	147.2	214.6	154.3

FINANCE

Bond Yields (Standard Statistics, average 45 bonds).....	6.72%	6.71%	6.65%	4.39%	5.00%
Call Loans, Renewal Rate, N. Y. Stock Exchange (daily average).....	1.00%	1.00%	1.00%	1.00%	1.03%
Prime Commercial Paper, 4-6 Months, N. Y. City (prevailing rate).....	1.00%	1.00%	1.00%	1.00%	1.23%
Business Failures (Dun and Bradstreet, number).....	278	245	229	189	261

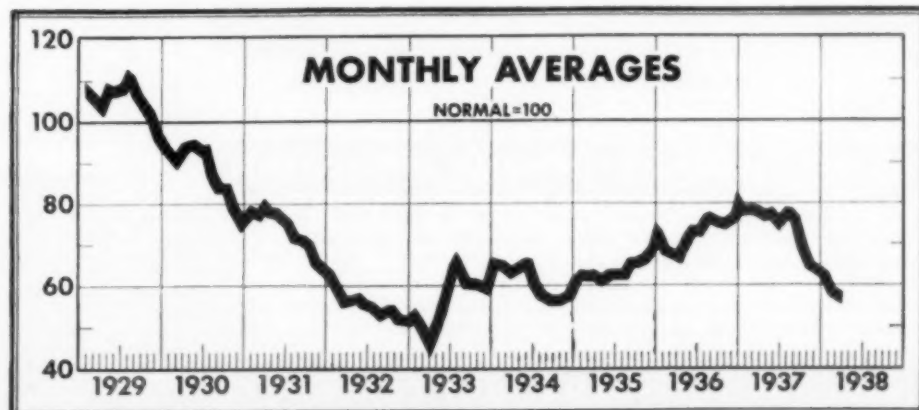
BANKING (Millions of dollars)

Total Federal Reserve Credit Outstanding (Wednesday series).....	2,602	2,596	2,608	2,528	2,498
Excess Reserves, all member banks (Wednesday series).....	1,730	1,580	1,460	1,627	1,598
Total Loans and Investments, reporting member banks.....	20,794	20,831	21,144	22,293	19,814
Commercial and Agricultural Loans, reporting member banks.....	4,246	4,275	4,335	—	—
Security Loans, reporting member banks.....	1,164	1,233	1,374	—	—
U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks.....	9,131	9,065	9,253	9,640	—
Other Securities Held, reporting member banks.....	3,096	3,089	3,002	3,259	—

*Factor in Business Week Index. * Preliminary, Week Ended April 16. † Revised. ‡ New Series. § Not Available.

These monthly averages are merely simple averages of each month's weekly figures of Business Week's index of business activity presented in the chart at the top of the page. They enable readers to get a general view of the trend of business since 1929.

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Only on the Short-Cut Keyboard can two or more keys be depressed at one time. This saves many needless operations.

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Only on the Short-Cut Keyboard can an entire amount and the motor bar be depressed together, thus completely adding or subtracting the amount in one operation.

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**BURROUGHS ADDING MACHINE COMPANY
DETROIT, MICHIGAN**

2 5.6 0
5.0 0
4.5 0
1 0.6 7
3 1 5.2 5
3.9 0
1 0.4 0
6, 7 1 2.7 0
5.9 0
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4.7 8
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1.4 5
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3 0.6 5
2 5.0 0
7, 6 1 7.3 0*

This tape is a typical example of how thousands of needless operations can be eliminated by the Burroughs short-cut method. The amount 25.60, for instance, was listed and added by depressing the 2, 5 and 6 keys and the motor bar all together, in one single operation, instead of writing one figure at a time. The amount 6,712.70 was listed and added the short-cut way in two operations instead of seven. Thus, the Burroughs short-cut method eliminates needless operations in writing any amount.

THE BUSINESS OUTLOOK

THIS WEEK the country has been digesting the new spending program of the Administration without any great enthusiasm. An initial upward movement in stock and commodity prices was followed by a sell-off. It is now accepted in most quarters that government spending will be neither speedy nor overwhelming. While some improvement in activity is likely to result in the late summer and fall, there appears to be no rush to anticipate these results.

Holding Their Own

Meanwhile, the business indexes are holding their own, with little change in either direction. Steel activity continues constant for the third week, after reacting from the abortive spring rise which was cut off at the beginning of April. Automobile production is still running, as it has all year, at about 60,000 cars a week. Electric power output last week dropped to a new low point for the current depression, but on a seasonally adjusted basis is no different from two and three weeks ago. Freight carloadings have risen slightly.

On the Base Line

Industrial activity, in short, is holding the base line it established at the turn of the year. There have been movements up and down in the various indexes, but, seen from the vantage point of today, it appears that they were not significant. There was always a reversion to the base line, and the seasonally adjusted monthly averages of industrial production as a whole have shown little variation.

Second-Quarter Prospects

Looking forward through the second quarter, no important changes appear likely. Reports from Detroit indicate that a rise in automobile output may have to await the new models to be produced next fall. Steel trade observers see little prospect for an improvement in the second quarter, although unexpected developments may still change this forecast for the better. In that event, second-quarter output could average 40% of capacity, but hardly more. Consumers' goods output in some instances is tailing off, matching the cases in which it has been picking up. No further drop in general activity is anticipated during the second quarter, but a rise is not in the cards so far as they are in view at the present time.

Spending Results Later

For the next two months little actual spending is expected to result from the Administration's new program. Concrete results will hardly appear until the beginning of the new fiscal year, July 1. Until that date the only effects are likely to be psychological, and, judging by the feeling which settled down after the first burst of excitement, these effects are not likely to be great.

The Obvious Next Step

Despite the apathy with which the President's spending messages have been greeted by public opinion, it is clear a decision has at last been taken. The decision to spend for recovery was, indeed, inevitable from the start, granting that the Administration would not change policies which restrict the flow of private capital. There will, without doubt, be a struggle in Congress. Loans without interest to local governments and blanket power to the President to spend funds in Congressional districts as he pleases may be blocked. But the program as a whole is too obviously the next step, with forces deadlocked as they are now, to expect its defeat.

Slow-Motion Program

Returning to the question of timing, there is every reason to expect delay even after July 1 before the pump is actually being primed. Loans by the RFC and loans and grants by PWA have a history of deliberation and red tape which is the only safeguard against extreme waste of funds but which inevitably slows down the translation of lending and spending into employment and production. Despite the best efforts of the Administration to help out with a little pump-priming (or "poll-priming") before Election Day, it is unlikely that the "\$4,500,000,000 program" will be going at anything like the clip desired by the President this summer and fall.

Some Just Replacements

Nor will all of the money lent or spent constitute a net addition to the country's purchasing power. Some loans will be in place of those by banks or private investors. Some money borrowed by states or cities will build public works they would otherwise have financed out of their own funds or their own credit—this having been done to the extent of over one billion dollars in the past year.

Renewed Buying Big Factor

After considering the various factors alluded to above, one is inclined to

think that industrial activity and commodity prices will show some response to public spending in mid-summer and a better response in the early fall. It is doubtful that enough will be spent to contribute a marked lift to industry or prices. On the other hand, two quite different factors may lend a hand in the autumn months. One is improvement in confidence on the part of private capitalists, if the recent defeats of the Administration in Congressional battles continue and eventuate in a retreat at the polling booth. The other is renewed buying due eventually in those lines where production is still running below current consumption—and these lines are many. Some natural rebound is likely in the fall from this cause alone. Government money will doubtless aid, but will not be the main factor.

A Different Brand

The kind of recovery envisaged here will be different from the kind that could have come with a different policy in Washington. In other words, pressure toward readjustment of those wages and prices which are too high is likely to be reduced in a free-spending period. The railroad union leaders have already declaimed against what they deem the folly of trying to cut wages when the government is planning to ladle out billions. Chairman Jones of the RFC has announced that this body will "lend for carrying inventories, thus enabling manufacturers to anticipate trade requirements with the assurance that they will not be forced to sacrifice their products to pay for the cost of production." What this will mean in practice is uncertain, but it seems to carry an implication that RFC money will be used to finance keeping goods off the market. This type of thing increases the doubts that the Administration's lending-spending program will lift business activity substantially, although it may well maintain commodity prices, in the coming months.

Pressure on Banks

The Treasury has abolished the inactive gold fund and the Federal Reserve Board has reversed one of its three increases in bank reserve requirements. These two steps, once they are fully effective (which may take some time), could easily double excess reserves of member banks. This will put intense pressure on the banks to use some of the idle cash, and the effect will be bullish for bank investments, deposits, and eventually commodity prices.

This New Equipment Paid for Itself In Eight Months

THREE years ago, the present management of the Geneva, New York, Division of the Burnham Boiler Corporation decided that its manufacturing methods and equipment should be carefully reviewed. After thorough investigation it found that General Electric alternating-current arc welders could be substituted advantageously for direct-current welders, and that various other important changes should be made. All of this was done.

RESULTS TO DATE

- 75 per cent reduction in cost per foot of weld.
 - 60 per cent reduction in welding time per boiler.
 - 35 per cent reduction in welding electrodes used.
 - 70 per cent reduction in power and maintenance cost.
- The welding operators are enthusiastic. They say that the new equipment helps them to turn out more and better work and to do it more easily.

These results were brought about by two major programs. First, the substitution of equipment that was best suited for the work; second, improved production control and similar foresighted changes. The benefits obtained paid for the new equipment in eight months.

The important point is not the kind of changes made, but that a watchful management, seeking ways of reducing costs and improving products, utilized competent assistance and obtained almost unbelievable gains.

Our application engineers are always glad to work with you or with your consulting engineers in finding a profitable electrical solution of your production problems.

Write to General Electric, Schenectady, N. Y.

Customers who fully utilize General Electric's facilities obtain the maximum benefits from electricity.

GENERAL  ELECTRIC

011-379

BUSINESS WEEK

APRIL 23, 1938

Watch Commodity Prices

Gold desterilization and reduction in reserve requirements start off Administration's rescue program, but the key to recovery lies outside Washington.

FEDERAL officials this week pushed forward with President Roosevelt's lend-and-spend program, but stock and commodity markets, after their first fine carefree rapture, reacted to sober second thoughts. "Inflation" had ceased to be a magic word.

Though Federal Reserve Board Chairman Eccles and Sec. of the Treasury Morgenthau carried out their part of the recovery bargain by widening the credit base; though Reconstruction Finance Chairman Jones reasserted his readiness to lend freely; though Congress prepared to act on relief and recovery appropriations; though Securities and Exchange Commission Chairman Douglas relaxed requirements on small business financing—though all those things happened, the key to recovery lay outside Washington.

Before business can really commence climbing upward, commodity prices must first stabilize and begin to go up. That, right now, is the key to revival. Unless manufacturers, wholesalers and retailers regain confidence in the price level—unless they again start buying inventories, certain that they won't suffer sharp losses—all the alphabetical agencies and all the new laws will have a hard time putting recovery together again.

Stocks Rise, Then React

Sensitive commodity prices showed some slight sense of their responsibility with a 2% rally early this week from their lows of April 11. But the advance was neither as broad nor as hefty as the stuff that booms are made of. Stocks did better. As early as April 1 they anticipated action from Washington, and initiated a volatile advance that carried them 27.5% above their March 31 lows (chart page 44), but this week a natural reaction set in.

So far, the administration's two tangible accomplishments were desterilization of \$1,400,000,000 of gold in the inactive fund and reduction in member bank reserve requirements (tabulation page 14). These moves laid the base for a vast credit expansion (chart this page) but, before this credit capacity can work toward recovery, banks must lend and invest and business men must be willing to borrow.

The existence of a huge fund of idle bank reserves will not, of itself, stimulate business. Excess reserves are like fertilizer which never goes into the ground. Not until they are used and cease to be "excess," do they do real good. On that account, the Senate, in its conferences with the House, has been demanding elimination of the undistributed profits tax. On the theory that if this tax is removed, business sentiment will revive, business men will borrow, bank funds will go to work.

Aims at Higher Buying Power

President Roosevelt, however, is relying directly on deficit spending. By pushing public works and expanding relief, he hopes to enlarge consumer purchasing power (BW—Apr 16 '38, p13), which will result in broad buying and a restimulation of manufacturing

industries that will start industry moving upward again. Hence, he has referred to government spending and lending as the "trigger" to set things off.

Here, the difficulty is speed. If past spending achievements of the government are a criterion, the will to spend is quicker than the deed. Red tape in getting the money out of the Treasury consumes time. Yet, one immediate boon—which will show up in the near future—is the activity of the Federal Housing Administration (BW—Apr 2 '38, p17).

Stimulus to Construction

Under the amended Federal Housing Act, applications for mortgage insurance have been rising steadily and reached another new peak for the week ended April 9. This will be evident in building contracts awarded in weeks to come. Indeed, new construction all along the line will be pepped up by the lend-and-spend program. There will be various public works projects, both Federal and state, embracing highway construction and buildings. In addition, factory building will start as soon as

STEP-BY-STEP STORY OF ROOSEVELT'S CREDIT MANEUVRES

(Showing how the New Deal has more than doubled the nation's credit potential)

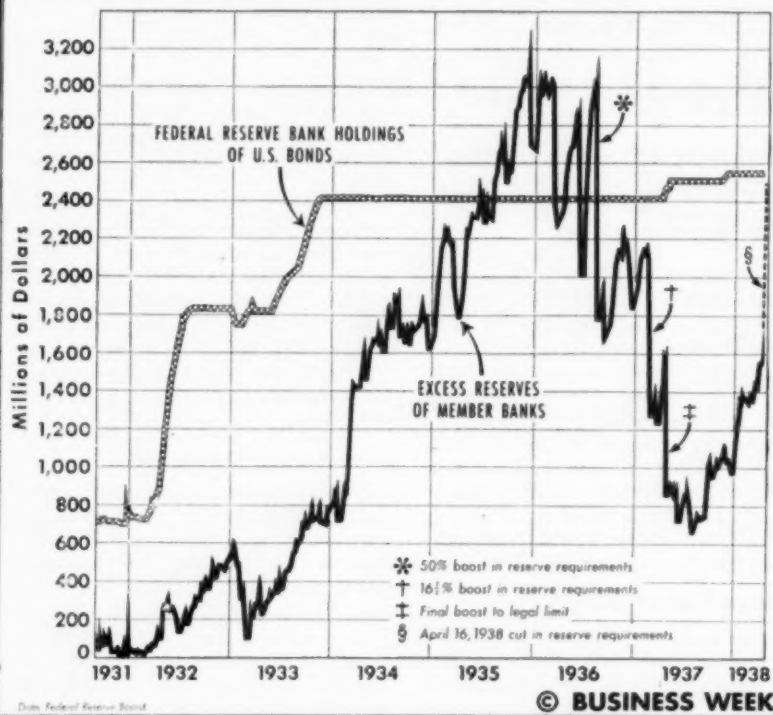
		MONETARY GOLD TOTALING:		AMOUNTED TO:	AND WOULD SUPPORT BANK DEPOSITS OF:
1	At the end of 1933	149,000,000 ounces	@ \$20.67	\$3,100,000,000	\$88,000,000,000
2	After gold revaluation	149,000,000 ounces	@ \$35	\$5,200,000,000	\$149,000,000,000
3	By August 14, '36, prior to first boost in member bank reserve requirements	247,000,000 ounces	@ \$35	\$8,700,000,000	\$247,000,000,000
4	August 15, '36, after 50% boost in reserve requirements	247,000,000 ounces	@ \$35	\$8,700,000,000	\$164,000,000,000
5	March 1, '37, after second boost in reserve requirements	264,000,000* ounces	@ \$35	\$9,200,000,000	\$151,000,000,000
6	May 1, '37, after final boost in reserve requirements	264,000,000* ounces	@ \$35	\$9,200,000,000	\$132,000,000,000
7	Today, following desterilization of \$1,400,000,000 of gold, and reduction in reserve requirements	314,000,000 ounces	@ \$35	\$11,000,000,000	\$182,000,000,000

* In December, 1936, the Treasury established the inactive gold fund, and kept all new gold from entering the monetary and credit structure

© BUSINESS WEEK

RESERVE BOARD SACRIFICES BASIC CREDIT CONTROL

Federal no longer can wipe out excess reserves by selling government securities



WHEN the Federal Reserve Board and the Treasury agreed on a program to boost excess reserves of member banks by (a) reducing reserve requirements and (b) desterilizing \$1,400,000,000 in gold, the Board surrendered its power to eliminate excess reserves by securities sales. Before the recent monetary moves, excess reserves amounted to \$1,700,000,000, and U. S. securities held by Federal

Reserve Banks amounted to \$2,560,000,000. By liquidating the bond holdings, the Reserve could wipe out excess reserves. Now, however, excess reserves have jumped to about \$2,500,000,000 (as shown above), and once the desterilized gold enters the credit structure, they will be well over \$3,000,000,000. Result: sale of federal bond holdings would deflate, but no longer eradicate, excess reserves.

manufacturers discover that recovery is going to "take" again.

Slum clearance ties directly into the "boost building" program. For immediate stimulus, the President approved \$36,700,000 for U. S. Housing Authority projects in New York City, Louisville, Augusta, Ga., and Jacksonville, Fla. And more will come.

RFC's Loan Policies

As a means of getting money to work, the RFC this week announced that it would make funds available to investment bankers seeking to finance new projects. More, Chairman Jones declared that RFC will make inventory loans on warehouse receipts. That, parenthetically, would benefit field warehousing companies (*BW*—April 6 '38, p. 24). Mr. Jones opened the RFC till to utilities (with the consent of SEC) for new equipment installations. That is the government's answer to the charge that federal power policies have made utility financing difficult, if not impossible. Such loans will put Uncle Sam more deeply into the utility busi-

ness—in semi-competition with his own power projects, so to speak. The RFC, however, urged commercial bankers to go out after new business, arguing that banks could afford to make longer-term loans at a time when excess reserves are abundant and the Federal Reserve Banks could rediscount member bank paper freely.

The SEC, taking the same tack, simplified registration requirements for small corporations in an attempt to make it easier and cheaper to raise new capital. But both RFC and SEC efforts come under the head of "maybe" items. They won't work unless business men are convinced that there are profits ahead and are willing to borrow or raise new money on a large scale. All of which comes right back to the heart of the recovery problem: prices.

Once commodities stabilize and get going, business—large and small—will be in the markets buying, and from that point on recovery will just about take care of itself. Meanwhile, it seems safe to assume that Washington's lend-and-spend program will provide suffi-

Bird's-eye View of Reserve Reversal

Shifting the reserve requirements of member banks has become a habit in Washington. In less than two years there have been four changes—the first three to cut down excess reserves and tighten federal control over credit; the fourth to increase excess reserves and loosen bank credit.

Prior to the Roosevelt administration, there had been only one change in reserve requirements. In 1917, Congress amended the original Reserve Act of 1914, and put into effect requirements which stayed put until the Federal Reserve Board (in the summer of 1936) exercised its powers under the Banking Act of 1935. Here's the record:

Date	Reserves for \$100 of Deposits—Demand—Time			
	Central	Cities*	Cities†	All Banks
1917	13	10	7	8
Aug 15 '36	19½	15	10½	12
Mar 1 '37	22½	17½	12½	15½
May 1 '37	26	20	14	18
Apr 16 '38	22½	17½	12	15

* Member banks in New York and Chicago

† Member banks in principal cities other than New York and Chicago

In 1917, the average reserve was roughly \$10 against every \$100 of deposits. By May 1, 1937, that requirement had been boosted to about \$20 per \$100 of deposits and every dollar of bank reserves would support roughly only \$5 of deposits against the previous \$10. The April 16 reverse shift requires about \$17½ in reserves for every \$100 of deposits, and the expansion ratio is around 5.8-to-1.

This is still a tremendous expansion potential (see chart page 13). Every dollar of monetary gold will support \$2.85 of bank reserves; and each dollar of bank reserves will support about 5.8 dollars of bank deposits. Thus for each \$1 of gold, there is a theoretical credit expansion of 16.5 dollars. Or, to put it in terms of physical volume, one ounce of gold theoretically will support \$578 of bank deposits.

cient psychological umph to check any further serious industrial setback.

Indeed, for several months industry has been laying a depression baseline. Since November, the rate of decline has flattened out, and for the last eight weeks (chart page 9) there have been rallying tendencies. Thus, business, itself, has evidenced internal strength, and with a spending drive "just around the corner," it seems logical to expect that the next important move will be up—perhaps in late summer or fall. Right now, the thing to watch is commodity prices.

Akron Faces Wage Cut Showdown

Rubber workers find it tough to dodge Goodrich ultimatum of pay cuts or loss of jobs as civic pressure mounts and annual wage "compromises" flop.

A civic poker game in which the whole town has stakes, but in which only two groups hold cards was approaching a showdown in Akron this week.

The United Rubber Workers Union, under pressure from the non-playing bettors, was faced with making a decision it had dodged for a month—either to take wage cuts or to call the B. F. Goodrich Co. on its threat to move 5,000 jobs out of Akron. If the decision were up to those bettors—if Akron's civic, business, and political leaders held the cards—there would be but one answer: Pay would be cut and hours would be lengthened.

But the union, still uncertain whether Goodrich means what Vice-President T. G. Graham says it does and even more uncertain of its membership's attitude on the issue, insists it needs more time.

Both sides have reacted coolly to the mediation plan presented by James P. Miller, regional director for the National Labor Relations Board, providing for wage and hour adjustments on one hand and a guaranteed annual wage on the other, under the supervision of a rubber industry coordinating board. The union is staking its hopes on a wage and hour study to be made by the Labor Department, against the advice of some who believe the study may backfire and recommend the very wage reduction plan which the company now is advocating.

Hourly Wages Spread Thinly

While Akron has always been a high hourly wage town—one of the highest in the country—the annual wages of Akron workers have not been exceptional. The high hourly wages have been spread more and more thinly in times of depression under union pressure to spread the work. Today, the average Goodrich worker works three curtailed weeks out of four and averages between \$10 and \$12 a week for the month.

Aside from the matter of union principle—the insistence upon hanging onto the six-hour day where it is in effect—many Goodrich workers would be glad to get back to longer hours and more money in the pay envelope even though hourly wages were reduced. But that means that a number of men would be laid off to give the older employees more hours. And therein lies the big trouble. Combined with the union red-hot there are almost enough younger men in the plant who know or think they would be laid off to block any re-

volt on the part of the older workers against the union's "no pay cut" stand.

The company is insisting on a decision by the union on the pay cut before it will enter into any discussion of wage guarantees or other matters brought into the picture by the NLRB.

White-Collar Organization

The company has found itself more or less on the spot as the result of putting through 10% to 20% salary cuts in the office just before the union voted to dodge a decision on the company's proposal. A new flurry of white-collar organization was the result. The United Office and Professional Workers Union, a new group affiliated with the Committee for Industrial Organization, started a campaign to recruit members in rubber company offices, pointing out the organized factory workers had taken no cuts. The other Akron rubber companies, where wage cuts depend more or less on the Goodrich action, are in the same boat as far as the white collar organization is concerned. So far, the new union has not been particularly successful in spite of the grumbling in rubber company offices.

Other Akron companies also look on Miller's plan for a guaranteed annual wage and a rubber industry co-ordina-

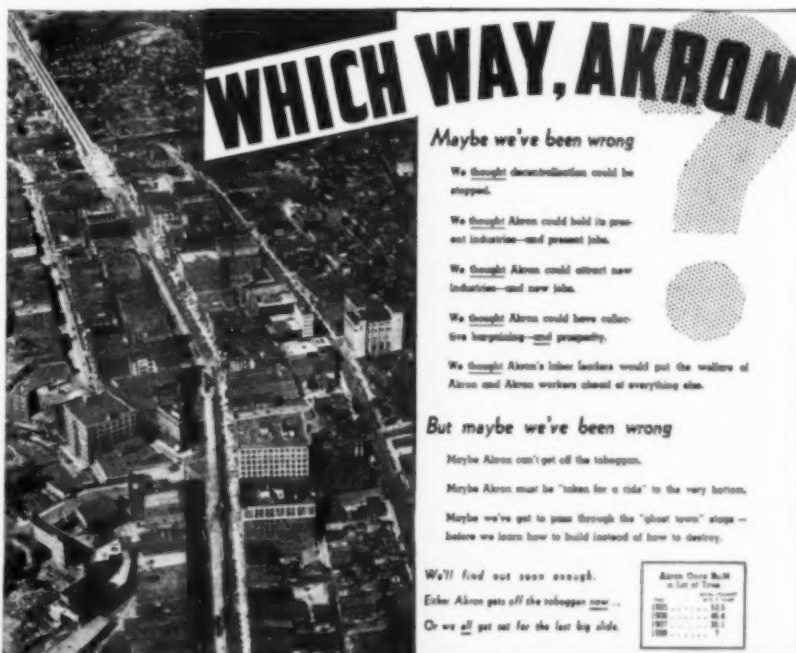
tion committee to settle future labor disputes, just as coolly as Goodrich. Privately, company officials say they see little possibility of such a plan working in an industry that has the ups and downs of rubber, dependent as it is on the automobile business. The guaranteed annual wage has had its most spectacular success in the steady food industries and in industries where the labor cost in the product is much lower than the 40% they figure in Akron-made rubber goods.

The controversy has raised Akron's civic temperature to fever height, with the union coming out the worse in the light of public opinion. Rumors that the National Guard is ready to march in at the drop of a hat, that a new law and order league is in process of organization, are again flying around, but both rumors are groundless. The municipal government took a hand in the controversy for the first time this week when Mayor Lee D. Schroy, who beat labor's candidate for mayor last year, demanded that the union make an immediate decision.

Sante Fe Wins

Line gains right to establish four bus lines in fight with Southern Pacific, Greyhound.

AN old fashioned knock-down-and-drag-out railroad fight between the Southern Pacific and the Santa Fe in California was won Monday by the Santa Fe. The State Railroad Commis-



WHICH WAY, AKRON

Maybe we've been wrong

- We thought decentralization could be stopped.
- We thought Akron could hold its present industries—and present jobs.
- We thought Akron could attract new industries—and new jobs.
- We thought Akron could have collective bargaining—and prosperity.
- We thought Akron's labor leaders would put the welfare of Akron and Akron workers ahead of everything else.

But maybe we've been wrong

- Maybe Akron can't get off the toboggan.
- Maybe Akron must be "taken for a ride" to the very bottom.
- Maybe we've got to pass through the "glacier town" stage—before we learn how to build instead of how to destroy.

We'll find out soon enough.

Either Akron gets off the toboggan now... Or we all get out for the last big slide.

Akron Once Built in 1914	
Year	% of Total
1914	12.5
1924	10.4
1934	8.1
1935	7

Futichild Aerial Surveys

AKRON AT THE CROSSROADS—The advertisement printed here on an air view of the city appeared in an Akron paper last week. Sponsored by the Greater Akron Association, the ad defines the city's problem by declaring labor unrest cut Akron's share of U. S. tire production from 52.5% in 1935 to 35.1% in 1937.

sion granted the Santa Fe permission to establish a coordinated rail and bus service in the state. The decision is a body blow to the S.P. and to the S.P.-controlled Pacific Greyhound bus lines which Santa Fe had called a "monopoly."

Bus Routes Authorized

The struggle between the rail giants lasted two years (*BW—Feb 22 '36, p. 22*). Most important result is the breaking of S.P.'s historic domination of the rich passenger traffic between San Francisco and Los Angeles. Four Santa Fe bus routes are authorized and must be inaugurated within 90 days. They are expected to reshuffle to a large extent the transportation map of the much-traveled state.

The new Santa Fe services will connect San Francisco and Los Angeles via the San Joaquin Valley; Los Angeles and San Diego; Los Angeles and the Arizona line via Needles; Bakersfield and Barstow. Hereafter the Santa Fe can route passengers from San Francisco to Bakersfield on streamliners, transfer them to buses for the short and spectacular run over the San Bernardino Mts. to Los Angeles. Previously, the Santa Fe had to tack eastward from Bakersfield to Barstow, then tack back to L. A. The new schedule cuts 170 miles and over 5 hours in running time from the road's San Francisco-Los Angeles service. By the interchange agreement passengers can shift from bus to rail or rail to bus at any point on the line.

Undercuts S.P. and Greyhound

The commission also granted Santa Fe's application for a 1½¢-a-mile fare on its trains and buses. This undercuts both the S.P. and Greyhound. Santa Fe fare between San Francisco and Los Angeles will be \$6; The S.P. rail coach fare is \$9.47; Greyhound bus fare, \$6.75. The fare ruling may not be permanent.

Communities along the Santa Fe are jubilant at the prospect of increased tourist trade. They took part in the two-year fight, bombarding the Railroad Commission with propaganda until it begged for mercy. Southern Pacific and Greyhound are expected to demand a rehearing or appeal to the state supreme court.

Pyrrhic Victory

Basing point attack nets some f.o.b. bids, but government may not save money.

WASHINGTON (*Business Week Bureau*)—The first attempt of the United States government to use its centralized purchasing power to break down the basing point system, by which all bid-

ders in an industry arrive at a uniform delivered price on any specific order, has resulted in satisfaction for neither the government nor the cement industry.

Analysis of the bids received last week by the Treasury's Procurement Division reveals that the government won its point in so far as it will now be able to obtain its cement requirements for a four-month period—as much as 7,500,000 barrels—at f.o.b. mill prices ranging from \$1.30 to \$2.29 per barrel.

Local Dealer Angle

However, the victory was largely of the Pyrrhic variety, for there are many spots in the country where Uncle Sam will be able to save money by ordering through a local dealer rather than under his open contract with some distant mill. This is true because there are great areas of the country—notably, in New England, the South, and the Southwest—in which none of the 24 suppliers who bid on the business is located. As a matter of fact, only around the Great Lakes and along the Pacific Coast is there a sufficient number of bidders to create even a semblance of competition for the federal business.

Eight of the large cement producers refused to bid. Two reasons explain their refusal: (1) They desired to protect their dealers, whose business might have been seriously affected by the provision in the bids that all contractors working on projects financed wholly or in part on federal funds would be permitted to buy on the same basis as the government; (2) they feared dislocation of production schedules because the government did not ask for a firm commitment to deliver so many barrels of cement but for an option to buy as little or as much cement (up to a specified maximum) as it should need.

Supermarket Tax

Camden, N. J., imposes \$10,000 license fee on self-service food stores to stop expansion.

MONTH or so ago, the Great Atlantic & Pacific Tea Co. opened a half-dozen supermarkets in New Orleans, having closed a number of smaller units to cut the cost of Louisiana's \$550-per-store tax.

In Pennsylvania, where a \$500 tax was passed last year, supers are springing up in every trading area. Some are independents, but most of them belong to A.&P., the American Stores, or other chains.

In Texas, where the nation's top impost of \$750 is being bitterly fought, new chain store "warehouse outlets" are



Nation Wide News Service

MEYER PARODNECK

A Manhattan lawyer, he heads New York's Consumer-Farmer Milk Co-op.

setting a fast price pace for little merchants.

Stimulated not only by chain store taxes but by laws to prohibit below-cost selling and by the superior profit-making efficiency of the big outlets, the mushroom growth of the supers in every section of the country was sure to attract legislative reprisal.

Various cities and towns have attempted to restrict their expansion by zoning ordinances and laws regulating the leasing of departments, but not until this week did the lightning hit home. This week, Camden, N. J., demanded a \$10,000 annual license fee from every store wherein groceries "are exposed for sale on shelves, stands, platforms, or counters or in bins or aisles in such a manner that the purchasers are permitted to make a personal selection . . . are provided with basket, cars, or containers in which the merchandise may be placed and carried to a counter . . . where agents . . . calculate the total costs and wrap the merchandise . . . and receive payment." Penalty for violation is a \$200 fine or 90 days in jail, and each day of operation without a license constitutes a separate violation. A second ordinance exacts a \$200 fee for every leased department exceeding four.

Court Test Planned

The ordinance not only hits supers operated in Camden by American Stores and A.&P., but two independents as well—Food Fair and Giant Tiger. An immediate court test of the allegedly discriminatory measure, which hits not only supermarkets but all self-service stores as well, is planned. The license fee, which would be almost as great as hiring service employees, would literally destroy supermarket profits.

Census Shows Big Co-op Gain

First official figures since 1933 show that cooperatives doubled in three years; volume and earnings record is strong. Launch New York milk co-op.

In 1933 there were 1,854 consumer co-operatives selling goods at retail. Their membership was 328,278. Since 1933, however, what's been going on in the cooperative movement has been anybody's guess; there weren't any official figures.

This week, the Bureau of Labor Statistics brought the United States up to date (or as far as 1936 at any rate) on the state of its cooperative movement, when it published the long-awaited retail section of its consumer co-op census (*BW—Feb 26 '38, p. 23*).

Figures in Co-op Growth

There were, according to the Bureau, 3,600 retail co-op associations in the U.S. in 1936. Their total membership was 677,750. Their total retail business for 1936 came to \$182,685,000. Of the 3,600 associations 2,400 were store associations or buying clubs, with 330,500 members and a 1936 business of \$107,250,000. There were 1,150 associations selling petroleum products. They had 325,000 members, did \$69,985,000 worth of business. Fifty other distributive associations (bakeries, creameries, water-supply associations, etc.) had 22,250 members, and did \$5,450,000 worth of business.

The store association and the petroleum association dominate the retail co-op field. Half of the nation's co-operators belong to petroleum associations, 40% to the store associations. Petroleum associations are strong all through the Mississippi Valley, while stores are most numerous in Minnesota, Wisconsin, and Illinois. Buying clubs, on the rise, are mostly located in urban centers—New York, Los Angeles, and Chicago having the greatest number. Greatest amount of business, done the co-op way—more than 70% of the total—was transacted in the North Central states.

Two Top a Million in Sales

Almost half of the 1,802 associations reporting boasted sales in excess of \$25,000, and two of them topped a million: the Franklin Cooperative Creamery of Minneapolis (\$2,827,560) and the buying society in Cloquet, Minn. (\$1,125,714). Although most of the store associations handle commodities other than groceries—(meats, clothing, shoes, dry goods, hardware, electrical appliances, and notions are common side lines), their average annual sales figure, exceeding \$82,000, is in striking contrast with the average figure of \$11,760 reported in the 1935

Census of Business for all grocery stores. Similarly impressive is the average earnings figure for store associations; in 1936 it was \$3,229. This figure, however, was significantly below the average of almost \$5,000 reported for all types of cooperatives, including the big profit-making petroleum groups.

Patronage Refunds

Only 938 associations paid out their earnings in patronage refunds. None of the bakery, creamery, or water supply co-ops paid dividends, while only 38% of the retail stores did. Biggest dividend-disbursers were the petroleum associations; two-thirds of those reporting distributed patronage refunds accounting for almost half of the total cooperative savings.

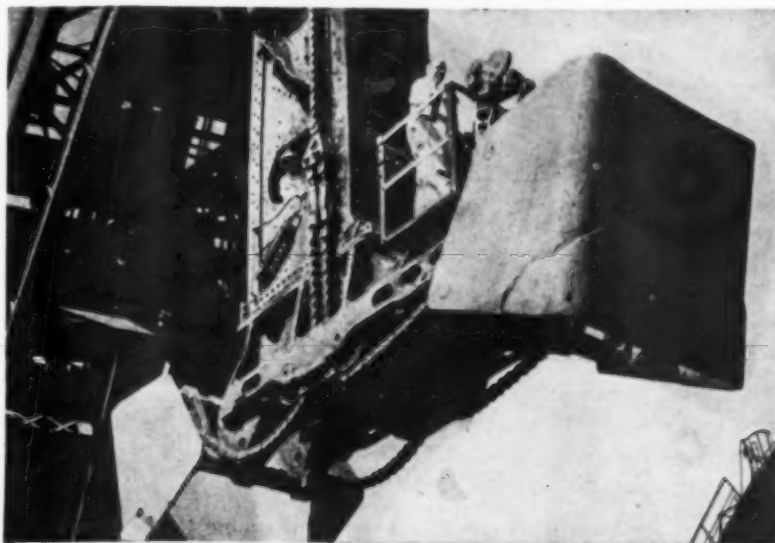
The co-ops reported net assets of \$46,000,000 and evaluated their net worth at \$37,000,000, a surprisingly small figure. Forty-five per cent of the associations were worth less \$10,000 and another 30% were worth less than \$25,000. Twenty-two associations were firmly in the red.

Nevertheless, it is apparent from the figures that the cooperative movement has come a long way since 1933; 1,746 more associations and 349,472 more members are nothing to sneeze at. It's a growth that the Bureau of Labor Statistics calls "slow" and "quiet"—and "irregular." It isn't a steady growth, whereby new associations are added onto the existing ones, but it's a growth in which old associations pass quietly away and new ones constantly crop up. Those associations that stick closest to the social and economic aims of the movement still prosper best (*BW—Mar 26 '38, p. 43*). The lone wolf that adopts a few co-op principles and attempts to go its own sweet way generally comes to grief. The bakeries and creameries, for example, generally use consumer co-op principles to further their labor aims. In only a few cases do they even buy their supplies from the cooperative wholesaler in their district. And in 1936, as the figures prove, none of them was able to provide members with refunds.

Farmer's Role Important

The occupational group that bulks largest in the cooperative movement is still the farmer. The farmers' associations which reported in 1936 totalled 1,173. They had 303,899 members, and did an annual business of \$111,998,641. But new markets are now being tapped

Competition for Hollywood



THE cameraman gets an unusual action shot for a scene in U.S. Steel's new Technicolor movie, "Men Make Steel," which had its premiere at the Waldorf-Astoria Hotel in New York last week.

Hollywood treatment and the cautious subordination of advertising to entertainment in the current crop of commercial movies are finally winning acceptance for them in the nation's mo-

tion picture theaters as part of regular bills. It is estimated that commercial films are being shown in more than twice as many theaters this year as last. Among the current hits:

The National Association of Manufacturers' "Frontiers of the Future," with Lowell Thomas telling the story of big business; Bristol-Myers' animated cartoon, "Boy Meets Dog," deftly plugging Ipana toothpaste.

by the cooperative movement—those of organized labor and the white-collar worker.

In New York City the largest grocery store co-op in the state is scheduled to open soon in Knickerbocker Village, the white-collar apartment house in Manhattan's slums. And this week New York's Consumer-Farmer Milk Co-op began to scout out members, and planned to start operation in a few weeks.

How Milk Co-op Works

The Milk Co-op will sell only Grade B milk, through stores which will act as agents and receive a fixed fee per quart sold, from the co-op. Consumer members pay \$5 to join the co-op, and agree to take \$5 worth of milk through the year. Vouchers clipped from the paper containers in which the milk will be sold will be the consumer's basis for collecting his share of the profits at the end of the year. Farmers supplying the milk are all members of the Dairy Farmer's Union. They will sell their milk at prevailing market prices and pay for its transportation to the co-op's pasteurization plant, the Foremost

Dairies in Brooklyn. The milk is to be sold to consumers at the lowest prevailing market price. Right now that's about 9¢. The president of the cooperative, Meyer Parodneck, a Manhattan lawyer, expects about 12,000 farmers and 20,000 consumers to be in the co-op at the start. The co-op has a

good chance to expand from there, since the Milk Consumers' Protective Committee, which has been fighting for the co-op, has about 200,000 members of its own. And the co-op aims not only to give the consumer good cheap milk, but eventually to stabilize the price of it throughout the year.

FTC Limits Used-Car Deals

Proposed rule for trade practice conference would prevent cooperation to fix allowances on trade-ins. Dealers will discuss intrastate action.

PROMISING for a while to turn into a Class A dog-fight between manufacturers and dealers, next week's Fair Trade Practice Conference for the automotive industry, after all, may result in a love-feast. This development comes from the inclusion by the Federal Trade Commission of one all-important rule in the projected code.

FTC was the sole outspoken objector to the clause in the automotive

code under the National Recovery Administration which permitted fixing of allowances on used cars. Overruled at that time, despite its anti-trust law arguments in support of its position, the commission is now having its innings.

FTC Insists on Rule

In the projected set of rules of fair competition which the National Automobile Dealers' Association has formulated in cooperation with the FTC, the latter has insisted on the inclusion of the following as Rule 20:

"It is an unfair trade practice for any member of the industry directly or indirectly to enter into or take part in any agreement, combination, conspiracy, concert of action, understanding, or scheme of two or more members of the industry, or of any industry or other organization of members for the purpose or with the effect of fixing, depressing, controlling, or otherwise restraining the so-called trade-in allowances for used motor vehicles or the price or prices any member of the industry may pay or allow for used motor vehicles."

The direct opposite of this rule is what most dealers want and manufacturers do not want. The commission's action therefore appears to have taken the major point of disagreement out of the projected code.

Not that this rule won't be the subject of hot debate. But the fight will largely be between dealers themselves and not between dealers and manufacturers—and its locale will be at the coincident dealers' annual convention rather than in the FTC conference on the code.

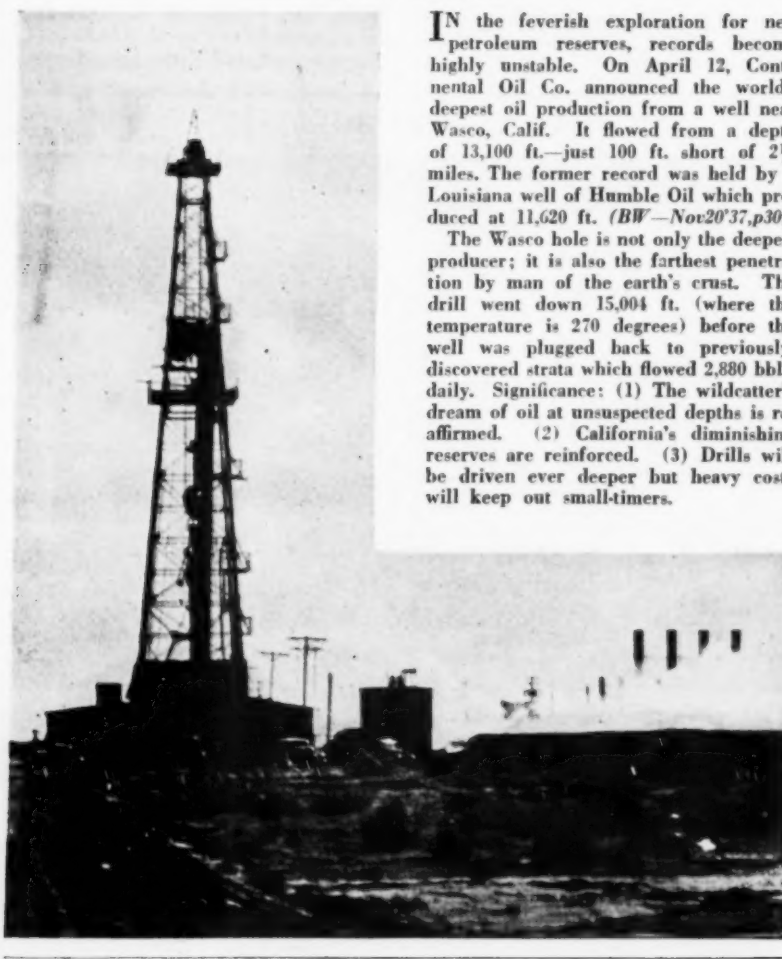
Suggest Local Control Plans

A ray of hope remains to dealers who insist that there must be some sort of control over used-car allowances. The laws on the basis of which the FTC has insisted on this clause are federal laws and primarily govern interstate commerce. Local used-car "price control" plans—such as have been effective in Muskegon, Mich., for

Deepest Oil Well

IN the feverish exploration for new petroleum reserves, records become highly unstable. On April 12, Continental Oil Co. announced the world's deepest oil production from a well near Wasco, Calif. It flowed from a depth of 13,100 ft.—just 100 ft. short of 2½ miles. The former record was held by a Louisiana well of Humble Oil which produced at 11,620 ft. (BW—Nov20'37,p30).

The Wasco hole is not only the deepest producer; it is also the farthest penetration by man of the earth's crust. The drill went down 15,004 ft. (where the temperature is 270 degrees) before the well was plugged back to previously-discovered strata which flowed 2,880 bbls. daily. Significance: (1) The wildcatter's dream of oil at unsuspected depths is reaffirmed. (2) California's diminishing reserves are reinforced. (3) Drills will be driven ever deeper but heavy costs will keep out small-timers.



"Unforeseen events . . .
need not
 so often change and shape the course of man's affairs"



BLOSSOM, *take a bow . . .*

This is about a man and a horse, one of the first horses to be covered by a Maryland policy. The *man* is Harry Rudolph, contractor. His original policy was issued March 25, 1898, shortly after he established his business. The *horse* is old Blossom, who hauled the wagon in that day when teams insurance protected the firm against runaway damage.

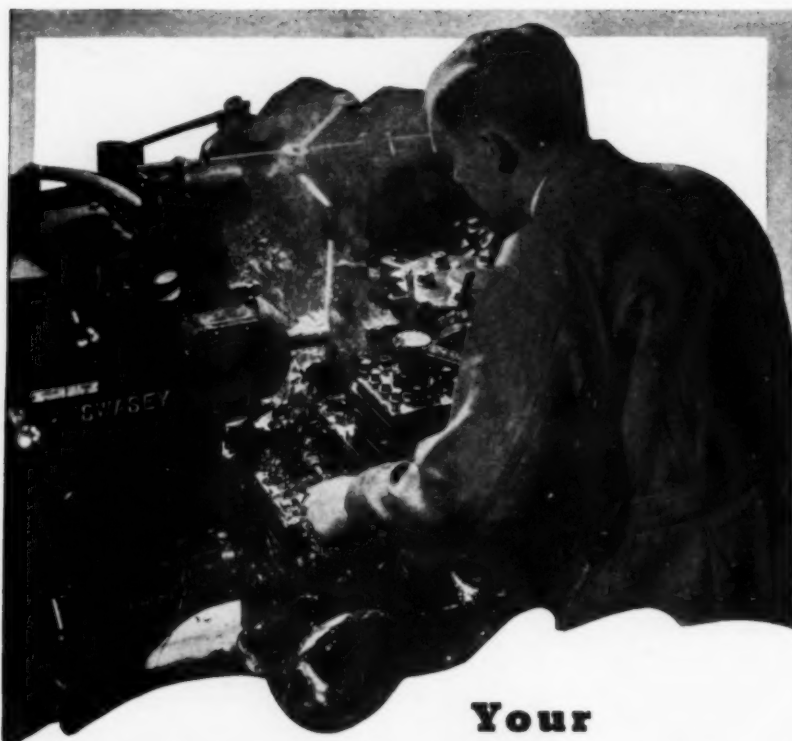
Old Blossom has been replaced long since by a motor truck. Likewise the firm's early insurance policies have been supplanted by new types of coverage, planned to meet the hazards of a highly mechanized age. We could eulogize Mr. Rudolph, and quote his comments as a policyholder of long

standing—that even in '98 carrying adequate insurance was "plain hoss sense"—that this bulwark against loss from unforeseen events has paid for itself many times over—that The Maryland has served him well through 40 years of business activity. But he would much prefer a gesture to the faithful white horse that he loved.

So here's to old Blossom. We imagine her knee-deep in some Elysian clover field, greeting our 40th anniversary year with a soft whinny of awakened memory. We can even imagine a proud glint in her eye if she could hear this panegyric. Blossom, take a bow!

THE MARYLAND

MARYLAND CASUALTY COMPANY BALTIMORE



Your
OPERATOR—TREASURER—
PRODUCTION MANAGER
—SALES MANAGER.. Each has his
Reason for Preferring a Warner & Swasey

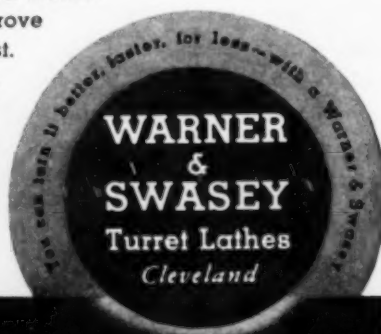
Your Operator will like a modern Warner & Swasey Turret Lathe because with it he can increase his production and so make himself more valuable to you—and do it with far less effort, less fatigue.

Your Treasurer will prefer a Warner & Swasey because it cuts turning costs as much as 50% and earns for the average user a 20% net profit on the investment.

Your Production Manager will like a Warner & Swasey because it reduces scrap loss and down time, helps him maintain his production schedules easily, cuts costs no matter how large or small his current production, and makes a hit with his operators.

Your Sales Manager will welcome a Warner & Swasey because it can often improve your product and lower its cost.

In fact a modern Warner & Swasey earns a profit for everyone connected with its operation. A W & S field engineer will be glad to tell you exactly how large that profit would be in your plant. Write



2½ years—do not come under this rule, such dealers argue. Nevertheless, its inclusion in the industry's code undoubtedly will have the psychological effect of decreasing rather than increasing the tendency for dealer operation directed at eliminating or reducing used-car losses.

Interpretations of Laws

The projected code, as a whole, falls into two groups of rules. Group 1, representing what are in effect interpretations of existing laws (Sherman, Clayton, Robinson-Patman, Wheeler-Lea, Tydings-Miller, and FTC acts), deals with such items as:

Misrepresentation in general; defamation of competitors; disparagement of products; circulating misleading price quotations (and production and sales figures); misrepresenting used cars; setting back speedometers (a practice resulting in the conviction 18 months ago of a Missouri dealer under civil statutes); misrepresentation of character of business (aimed at "curbstone" dealers and garages claiming to be "authorized" service stations); espionage; false invoicing; inducing breach of contract; commercial bribery (aimed at concealed discounts); passing off altered trademark merchandise and imitation of trademarks, etc.; quoting fictitious prices (applying principally to used cars); substitution of products (aimed at preventing manufacturers and dealers from including and billing for accessories on cars unless ordered); false advertising; representing prices (particularly on used cars) as "special" when they are not.

Other Rules Projected

Also included in this group are "interpretations" dealing with contingent sales (to prohibit a manufacturer from compelling a dealer to buy cars of one model in order to buy the more popular models); selling below cost (this difficult-to-enforce rule offering another vague hope of offsetting the "price-fixing" rule as a means of eliminating used car losses); discrimination (as covered by the Robinson Patman act); misrepresentation of used car prices; finance charge "packing"; specifying finance company (under threat of cancellation of franchise, etc.); anti-coercion (aimed at alleged attempts to force dealers to purchase "genuine" parts and accessories and to control his building location or type); and oral inducement (exaggerated statements with regard to profit possibilities in selling a franchise). The rules directed against coercion of dealers by manufacturers will get special attention from dealer groups.

In addition, Group 2 brings into the settlement four non-interpretive rules. These cover:

(a) Franchise cancellation without



What Will Your Executor Have to Do?



Your executor must have the will probated and meantime take measures to safeguard your assets. He must assemble the estate property and obtain appraisals. He must manage the assets and deal with problems of claims, debts, and taxes, including inheritance and income . . . and, in general, substitute his business judgment for yours. He must settle the estate as the will directs and the law provides, and account for his acts to your beneficiaries.

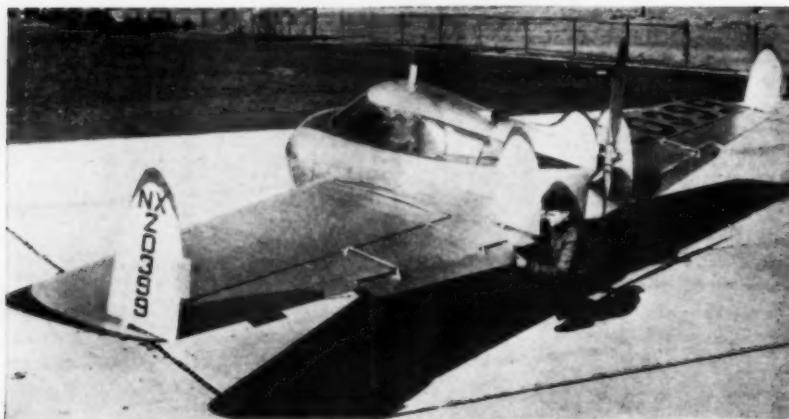
The foregoing is the briefest possible summary of his duties . . . but it suggests the reason why those versed in affairs are disposed to appoint an experienced Trust Company as Executor or as a Co-Executor with a friend or relative, rather than to place the entire burden upon a single individual.

The City Bank Farmers Trust Company has had more than a century of successful experience; its fee is the same as that for individual executorship.

City Bank Farmers
CHARTERED 1822 *Trust Company*

Head Office: 22 William Street, New York; *Uptown Office:* Madison Ave. at 42nd Street;
Brooklyn Office: 181 Montague Street

New Plane Has No Tail



Developed by Tuscar Metals, Inc., of New Philadelphia, Ohio, the tail-less plane above has been going through successful tests in recent weeks at Floyd Bennett Airport, New York. The plane is a two-place cabin model with a top speed estimated at 120 miles an hour. Steering rudders are at the ends of the wings.

cause and reasonable notice. (Most—but not all—manufacturers now have a “reasonable notice” clause in their contracts. A few specify no cancellation except for cause.)

(b) Completely itemized invoicing to purchasers of cars. (Favored by manufacturers.)

(c) Arbitration of disputes between manufacturers and dealers. (G.M. has already led the way on this with its judicial “Dealer Relations Board” formed last January.)

(d) Maintenance of accurate cost records.

Manufacturers Ready to Help

Since the inclusion by FTC of the anti-price-fixing clause on used cars, manufacturers individually—and the A.M.A. as a body—have announced their willingness to cooperate at the conference, which incidentally has no direct bearing on the investigations to be conducted by FTC under the Withrow resolution passed by Congress and signed by the President April 14.

High point of the dealer convention—and scheduled to be broadcast over a national chain—will be Alfred P. Sloan's address at the annual banquet April 27, on “The Dealer, the Manufacturer, and the Consumer.” Convention topics, as expected, will center mainly around used car losses and include discussion of a used-car junking plan which is to be proposed by the dealer association and which dealers have been very active in pressing as a solution to the used-car problem. Advance proposals of junking programs have uniformly urged an appropriation by manufacturers to compensate dealers for each car junked. Some have suggested a government subsidy to speed up junking.

Ringling Comeback

A new generation of the family regains control of the circus and proves its showmanship.

WITH the passing of winter, New Yorkers are reveling in the odors of spring, including the perfumes of Central Park flowers and the far more stimulating aromas of the Ringling Bros.-Barnum & Bailey Combined Shows, Inc. The “greatest show on earth” is drawing kids of all ages to Madison Square Garden and laying its plans for a tour of the country.

The season is signalized by a return to the big show of Ringling management. The late John Ringling, last of the seven founding brothers, got into a financial jam. Stock in the show was put up for a loan made in 1929 by the New York Investors. This collateral became involved in the subsequent receivership of New York Investors (*BW—Apr 27 '35, p. 22*).

New Generation Moves In

Last year a new crop of Ringlings moved back in. Thirty-four-year old John Ringling North (son of Ida Ringling North, only sister of the Ringling Brothers) obtained from the Bankers Trust Co. financial backing for the purchase of New York Investors' interest in the shows. A brother, Henry Ringling North, was associated with him. Cost of regaining control for the Ringlings is said to have been \$823,000.

On Wednesday of last week the circus company held its annual meeting in New York. There are so many Ringlings in the new roster of officers that a roll call sounds like a sleigh-bell symphony. John Ringling

North moved up from vice-president and executive head to the presidency. Robert Ringling became senior vice-president. Edith Ringling, Aubrey Ringling, and Henry Ringling North were elected vice-presidents. William P. Dunn, Jr., vice-president of the Manufacturers Trust Co., will keep an eye on expenditures in the capacity of secretary and treasurer.

Turning Crisis Into Publicity

The new generation of Ringlings got a chance to display its inherited showmanship soon after the New York opening. Leathernecks, animal handler and other labor elements struck for \$60 a month instead of the old rate of \$30 a month during the New York and Boston engagements. (The pay is in addition to lodging and grub). A compromise on \$45 a month settled the walk-out—but not before the new management had turned the crisis into valuable publicity.

President John and Vice-President Henry got yards of press notices by putting on porters' caps and helping the performers and freaks in working about the rings. A volunteer strike-breaker was Charles Bedaux, Jr., son of the industrial efficiency expert.

Last May, the entire circus became completely unionized. The agreements will add about \$250,000 to Ringling Bros. labor expenses for the season. It will lift the daily “nut” (overall cost) well above the old \$15,000 per day. The new management welcomed organization of its workers.

Advertising Plans

Plans for the season indicate the injection of bold new blood at the top. The old system of advertising in all sorts of programs and booklets has been abolished. Space advertising will be largely confined to newspapers. The appropriation for the season is about \$200,000, with \$23,000 allotted to New York. For the first time since 1934, the greatest show plans to tour the Pacific Coast, arriving there in September.

New acts are original and exciting enough to rouse acclaim from bored New Yorkers. Headliner is the gorilla, Gargantua the Great. This 460 lbs. of ill-tempered ape is a perfect subject for promotion. He cost something under \$10,000 and daily prayers are heard in behalf of the special air-conditioning which is depended on to preserve him until he attains full-grown monkeyhood. (He's only 7 now.)

Ringling Bros. has no plans for extensive motorization. They use motor cranes and tractors on special jobs. But the sedate matched teams of broadbacked draught horses are too big an attraction to be abolished for the prosaic (if cheaper) internal combustion engine.

THIS SUMMER ^{ZZ}Whistle while you work^{ZZ}

Enjoy *Yorkaire*



the latest in
AIR CONDITIONING
at amazingly low cost



Now offices everywhere can have real air conditioning.

Yorkaire delivers complete, year-round air conditioning . . . cools the air and reduces its humidity in summer . . . heats the air and increases its humidity in winter . . . filters and circulates it summer and winter. Yorkaire allows you to adjust the temperature to meet your personal preference. Its attractive cabinet will harmonize with any interior. And if you should move later, it can be reinstalled in the new location just as easily. Operates on A.C. or D.C. current.

• • •

FOR PRIVATE OFFICES . . . there is also a Portable Yorkaire that can be installed in a few minutes. No pipe connections. Just plug it in and it will bring complete summer comfort for a few pennies per hour operating cost. Strikingly beautiful, this Portable Yorkaire is ideal for air conditioning your living room, bedroom or the children's room at home.

VALUABLE ADVICE

It's cooling that counts! When choosing air conditioning, don't buy horse power . . . check up on the cooling capacity you get for each horse power.



Merchants can now easily afford up-to-date air conditioning.

Enjoy the comfort and get the profits that Yorkaire assures. Look in the classified section of your phone book for a nearby York branch or distributor. York Ice Machinery Corporation, York, Pennsylvania. Headquarters Branches and Distributors Throughout the World.

YORK ICE MACHINERY CORPORATION, YORK, PENNSYLVANIA
I am interested in Yorkaire for general office ☐ store ☐
Portable Yorkaire for single rooms ☐

Name.....

Street and Number.....

City.....State.....B-4

YORK Headquarters for Mechanical Cooling since 1885
AIR CONDITIONING  **REFRIGERATION**

IN THE BUSINESS WAKE

How much of a ripple did these facts—all in the foreground or background of recent business news—leave on your consciousness? On this and the next page a series of questions to test your memory.

Answers on page 26

One of the suggested answers to each of the questions is correct. The others are wrong. Make your selections—note them on a slip of paper—then check with the answer key on page 26.

1—Despite a slump at the end of 1937:

- ✓(a) The year's electric power output made an all-time high.
- (b) Railroad earnings surpassed 1936.
- (c) Retail sales in December topped those for December 1936.
- (d) Earnings of U.S. Steel warranted the resumption of regular quarterly dividends on the common stock.

2—In his latest bill, Rep. Wright Patman, co-author of the famed Robinson-Patman Law, proposes:

- (a) The establishment of a Federal Department of the Consumer.
- (b) A general sales tax of 2%.
- (c) A ban on all sales below cost.
- ✓(d) A tax that would put chain stores out of business in two years.

3—John Wesley Hanes is:

- (a) A tobacco manufacturer.
- (b) A Methodist missionary.
- ✓(c) A Wall Streeter who was recently appointed to the Securities and Exchange Commission.
- (d) Successor to the mantle of the late Charles Hayden as Wall Street's leading corporation director.

4—The Mexican government took over foreign oil properties because:

- (a) The companies refused to develop new fields.
- (b) Mexico needs all its oil at home.
- ✓(c) The companies refused to meet union wage demands.
- (d) The companies refused to accept government officials on their boards.

5—Hot oil refers to:

- (a) Petroleum heated in refining.
- (b) Stolen oil.
- ✓(c) Crude oil production in excess of state regulations.
- (d) Production that violates U.S. Bureau of Mines estimates.

6—To stimulate housing, Congress passed a law this year providing for:

- ✓(a) Reduction of interest and service charges on mortgages covered by Federal Housing Administration insurance.
- (b) Compulsory cuts in wages paid building trades unions.
- (c) Direct loans to construction companies from the Reconstruction Finance Corp.
- (d) Tax rebates to industrial companies that plow back earnings into plant expansion.

7—Last year all but one of the major advertising media showed volume increases exceeding 10%. The exception was:

- (a) Magazines.
- (b) Radio.
- ✓(c) Newspapers.
- (d) Outdoor displays.

8—Price fixing by the issuance of fair-trade contracts has made little or no headway in one of the following fields:

- (a) Drugs.
- ✓(b) Books.
- (c) Radios.
- ✓(d) Groceries.

9—The three largest suppliers of the United States imports last year were:

- (a) Great Britain, Japan, China.
- (b) Great Britain, Canada, Philippines.
- ✓(c) Canada, British Malaya, Japan.
- (d) Great Britain, France, Canada.

10—The Securities and Exchange Commission's recent rules on short selling:

- (a) Require stock exchanges to prevent short sales.
- ✓(b) Hinder short selling in a declining market.
- (c) Outlaw short sales.
- (d) Prevent short selling through odd-lot dealers.

11—The Wheeler-Lea Act, expanding the power of the Federal Trade Commission, provides specifically for:

- ✓(a) Regulation of food, drug and cosmetic advertising.
- (b) A continuous check-up on the cost of distribution.
- (c) The investigation of all installment sales contracts with interest rates in excess of 6%.
- (d) Regulation of labels on patent medicines to insure a listing of all ingredients.

12—Although corporate inventories normally amount to only about half of total current assets, there is one industry in which they constitute about 75% of current assets. This industry is:

- (a) Rubber and tires.
- ✓(b) Tobacco.
- (c) Iron and steel.
- (d) Autos and auto accessories.
- (e) Textiles and clothing.



13—The president (above) of the National Association of Manufacturers is:

- (a) John D. Biggers of Libbey-Owens Ford Glass Co.
- (b) Colby M. Chester of General Foods Corp.
- ✓(c) Charles R. Hook of American Rolling Mill Co.
- (d) Alfred P. Sloan, Jr. of General Motors Corp.



Globe

11—This car was manufactured in the country whose total automobile production is second to that of the United States. It was made in:

- (a) Canada.
- (b) Soviet Union.
- (c) Germany.
- (d) France.
- (e) Great Britain.

12—The income tax yields more than two billion dollars of revenue a year. The second most productive tax, which brings in nearly \$600,000,000 annually, is on:

- (a) Liquor.
- (b) Estates.
- (c) Gasoline.
- (d) Tobacco.

13—There are 15 international unions of railroad workers. At present these unions are affiliated:

- (a) All with the American Federation of Labor.
- (b) Part with A.F.L. and part with the Committee for Industrial Organization.
- (c) All with C.I.O.
- (d) Part with A.F.L. and part independent.
- (e) With no parent body and hence are independent.
- (f) Part with A.F.L., part with C.I.O., and part independent.

14—The two weekly magazines which last year scored the biggest percentage gains over 1936 in advertising volume were:

- (a) This Week and Business Week.
- (b) Time and Newsweek.
- (c) Saturday Evening Post and Grit.
- (d) Collier's and Look.

15—The new farm law:

- (a) Provides insurance for all crops.
- (b) Limits marketing of major crops.
- (c) Puts a federal bounty on prairie dogs.
- (d) Puts share-croppers on land of their own.
- (e) Displaces the soil conservation program.

19—Opposition to the proposed Anglo-American trade agreement has come mainly from:

- (a) Whiskey interests.
- (b) Sheep raisers in the West.
- (c) New England textile manufacturers.
- (d) Texas farmers.
- (e) Automobile manufacturers.

20—The Ben Franklin League is:

- (a) A dime-savings group organized by the Franklin Savings Bank of New York.
- (b) A voluntary chain of variety stores organized by a Chicago mail-order house.
- (c) A Philadelphia association of former employees of the Saturday Evening Post.
- (d) A Boston organization of master printers.

21—As a consequence of the failure of the brokerage firm of Richard Whitney & Co., the New York Stock Exchange has:

- (a) Petitioned for reduction of Federal Reserve margin requirements for brokers.
- (b) Voted pensions for all past presidents.
- (c) Requested members to resign from all banking connections.
- (d) Ordered brokers to submit financial statements to customers on request.

22—In Great Britain, approximately one out of every three workers belongs to a union. In the United States, the ratio is about:

- (a) The same.
- (b) One out of six.
- (c) One out of ten.
- (d) One out of twenty.

23—Field warehousing, a business that grew rapidly during the depression, is used as a device to:

- (a) Put merchandise under lock and key.
- (b) Distribute goods in strategic locations as a war preparedness measure.
- (c) Reduce the cost of borrowing money from banks.
- (d) Gain adequate protection from flood and fire damage.

24—"Shadow factories," a new and important development in Britain, are:

- (a) Deserted plants in the distressed industrial areas.
- (b) Factories projected by a British organization sponsoring a planned economy.
- (c) Branch factories planned for the colonies.
- (d) English slang term for cinema studios.
- (e) Auxiliary factories of existing industrial plants intended to provide a war reserve.



25—The "triumvirate" (pictured above) which now heads the United States Steel Corp. is composed of:

- (a) Purnell, Voorhees, Filbert.
- (b) Girdler, Weir, Fairless.
- (c) Irvin, Baker, Taylor.
- (d) Voorhees, Fairless, Stettinius.

Do you ever stop to think how rarely, if ever, your telephone fails? Good telephone service is the result of an unusual combination of operating skill and dependable equipment. Our part is the equipment.

Walter Dill
PRESIDENT

Built for Service

MOST people take their telephone pretty much for granted.

Though rugged in construction, it contains no less than 248 separate parts which must fit together and function with such mechanical and electrical precision that you can talk over it—through the nationwide network of wires and cables and switchboards of the Bell System—anytime, anywhere.

One reason why this is possible is because the Western Electric Company, the manufacturing unit of the Bell System, makes telephone equipment in which service is the first consideration—since this equipment is built for long life and low maintenance cost. The telephone companies acquire this apparatus at favorable prices made possible by the economies of large scale production and Western Electric's policy of moderate profits.

The savings which your telephone company thus makes on its equipment help to offset increases in taxes, wages, and other elements in the cost of providing an increasingly complex service.

Thus Western Electric contributes its part in making Bell Telephone service dependable and economical.

Western Electric

BELL SYSTEM SERVICE

IS BASED ON

WESTERN ELECTRIC QUALITY

In the Business Wake Answer Key

To arrive at your score (as a percentage of 100) multiply the number of correct answers by four. *Business Week* will be interested in your results and reactions. If enough high scorers want a chance to repeat, enough low scorers want a chance to do better, there will be another test in the wake of another period of business news.

1... (a)	9... (c)	17... (a)
2... (d)	10... (b)	18... (b)
3... (c)	11... (a)	19... (c)
4... (c)	12... (b)	20... (b)
5... (c)	13... (c)	21... (d)
6... (a)	14... (e)	22... (b)
7... (c)	15... (a)	23... (c)
8... (d)	16... (d)	24... (e)
	25... (d)	

"Cold Light"

Fluorescent lamps now offered for low operating cost and use where heat is objectionable.

UNLIKE the ancient alchemists' search for the philosophers' stone, which ended for them in blind alleys, modern research in the field of "cold light" is achieving definite success. A relatively cool light has been produced which is able to give many times the illumination per watt of a standard filament electric lamp with only a fraction of the heat.

Lamps Shown to Technicians

On April 21, Ward Harrison, engineering director of General Electric Co.'s Incandescent Lamp Department, Nela Park, Cleveland, demonstrated and explained to a joint New York meeting of New York Electrical Society, American Institute of Electrical Engineers, and Illuminating Engi-



WARD HARRISON

"The light is the nearest approach to natural daylight."



FLUORESCENT LUMILINE LAMPS use little current, light ceilings with high efficiency and low cost.

neering Society the new light sources which will be known as "fluorescent lumiline lamps."

Concurrently Westinghouse Electric & Manufacturing Company, Bloomfield, N. J., announced its line of identical cool lights.

Briefly, the new lamps are tubular in form, each end of each tube being equipped with two connecting pins which fit into special receptacles. Light source is a low-pressure mercury vapor discharge which gives copious ultraviolet radiation with little visible light and heat radiation. This invisible ultraviolet impinges on chemicals coating the inside of each tube. These glow, or fluoresce, to give visible light of high luminosity and efficiency. Thus the chemicals may be called "transformers" of radiation, exercising the power of changing almost magically the invisible into visible.

Big Market Anticipated

With negligible heat emission, the new lamps are particularly well adapted to locations where heat is objectionable, but it is to be expected that their low cost of operation will prove the entering wedge to exceedingly large markets.

Though fluorescent lumiline lamps may be produced in almost any reasonable size and color, initial production schedules of both companies contemplate three wattages (15, 20, and 30) four sizes, five colors, and two shades of "white." All are tubular, varying from 18 to 36 in. in length and from 1 to 1½ in. diameter. Colors, for the time being, will be "warm white," "daylight white," gold, red, blue, pink, and green.

"The light from the daylight color," according to Mr. Harrison, "is the nearest approach to natural daylight that it has ever been possible to produce directly by any artificial illuminant."



I HELP FEED CITIES

THE OTHER DAY I heard that one of the most important foods for human beings is fresh meat. So I was right in thinking my job really amounts to something! You see, I'm a specialist in the traffic field—a refrigerator car that rushes fresh meat to hungry cities, towns and villages. No wonder the Chesapeake and Ohio makes me work so hard, rolling in manifest trains that burn up the miles. Chicago to Cincinnati overnight...second morning to Charleston, West Virginia...third morning Richmond and Norfolk...St. Louis to Charleston in 30 hours. And frequent side trips on connecting lines. Not much time to cool my wheels on sidings. No, sir, meat must go through on time and all the time.

★ ★ ★

Sure, No. COEX187,093, you and all the other rolling ice boxes do a fine job. But don't forget that it calls for team work—the cooperation of all the essential equipment, plant and man-power of a great railroad...dependable service that clicks with the precision of a Swiss watch...keeping thousands of cars in perfect running order...speeding thousands of loads to destination—under constant supervision—in perfect condition.

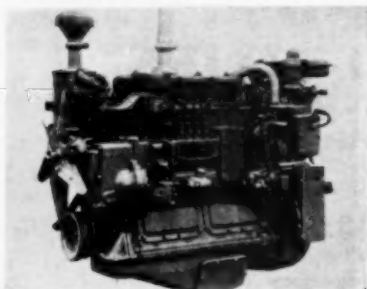
Chesapeake and Ohio representatives in all principal cities, are part of this cooperation. Their job is to help with shipping problems. And they know how!

CHESAPEAKE and Ohio LINES
CONTROLLED PERFORMANCE

New Products—New processes, new designs; new applications of old materials and ideas.

WHEN a man has let his furnace fire go out during some of these variable spring days and faces the necessity of rekindling it for a new spell of chilly weather, he may be glad to know of the chemically treated packages of charcoal and shredded paper developed by Anthracite Industries, Inc., 405 Lexington Ave., New York. These packages, about 3x3x6-in. in size, will kindle a new fire in next to no time.

FOR the smaller power user, Caterpillar Tractor Co., Peoria, Ill., is bringing out a 4-cyl. diesel which develops 33hp. at 1525 governed r.p.m. Features of



Model D3400 are similar to others of its make: 4-stroke cycle, valve-in-head, solid fuel injection into precombustion chambers, starting by 10-hp. gasoline engine, and "twin radiator" which cools both water and lubricating oil.

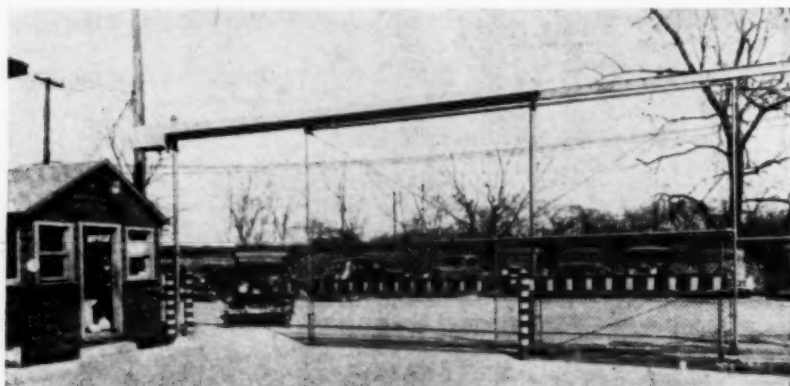
DURING the present season, it is understood that Westfield Planters Co-operative Fruit Products, Inc., Westfield, N. Y., will have exclusive right to package its Westfield Maid grape juice in new cans developed by Ameri-

can Can Co., 230 Park Ave., New York. Problems licked in the course of development are said to have been more severe than those encountered in early attempts to can beer. American Can is also responsible for the development of new cans which will package some of the frozen foods of Deerfield Packing Co., Bridgeton, N. J. One type is a fairly standard all-metal can with plug cover; another is fiber with metal ends.

SYNTHETIC daylight for the precise color-grading of cotton and other agricultural commodities by the Department of Agriculture was installed by Macbeth Daylighting Co., Inc., 227 W. 17th St., New York. Installation consists of fifteen 500-watt tungsten bulbs in suitable reflectors equipped with Corning Daylight filters, giving a light intensity of 50-60 foot-candles. Room



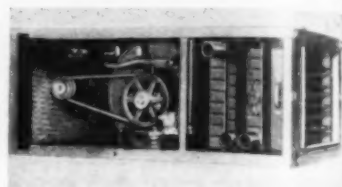
is painted with special light-reflecting and infra-red absorbing paint compounded by New Jersey Zinc Co. Diffusing glass, which was photographed in down position to show lighting



REMOTE CONTROL—With the new electric gate operator developed by Kinnear Mfg. Co., 155 Fields Ave., Columbus, Ohio, the watchman opens and closes a sliding industrial gate without leaving his shelter. Working through wholly inclosed roller chains, an electric motor moves the gate at a speed of two feet per second. Where special conditions require other type controls, such as key and electric eye, they can be furnished.

equipment, is Pittsburgh Plate Glass Co. talex, sandblasted and heat-treated by the Herculite process.

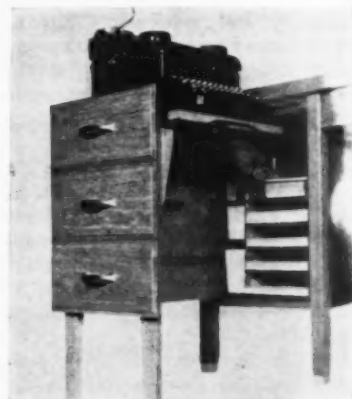
THOUGH the newest Modine air conditioning unit for permanent installation is called the "Apartment House Type," it looks like a natural for offices, shops, restaurants, and residences. As designed by Modine Mfg. Co., Racine, Wis., it contains everything but boiler, refrigerating machine, thermostat, and



humidistat in a space only 18 in. deep. Air filter, motor and blower, controls, cooling coils, heating coils, and humidifier trays, all find themselves in one compact unit which may be suspended from a ceiling or tucked into a closet.

WHERE small lots of concrete are required from time to time, there should be a definite place for a new wheelbarrow mixer which will thoroughly mix a load of concrete, while a worker is pushing it about 40 paces. As made by Lansing Co., Lansing, Mich., the outfit weighs only 90 lb.

FIRST news of the new Secra-Type typewriter desk, manufactured by Wagemaker Co., Grand Rapids, Mich.,



comes via Owl Print Shop, Wheeling, W. Va. Though the desk is made in 42-, 54-, and 60-in. sizes, its ingenious construction gives a secretary as much work and stowage space in a 42-in. single-pedestal desk as she would have in many 60-in. desks of conventional type. Typewriter compartment houses stationery and supplies as well as the machine itself, which folds down conveniently for closing. Center drawer has a commodious "well" toward the rear, deep enough for vertical filing yet out of the way of knees.



*'There are 'paper profits' here that can
never be washed out.'*

"This piece of paper is more than a promise, on the part of our insurance company, to pay workmen's compensation claims and to protect us against legal complications.

"Rather, it presents an opportunity for us to receive from American Mutual, profits that accrue regardless of market conditions.

"Forget, for the present, the purely physical benefits—the guards on the dangerous machines, the prompt payment of employees' claims, the medical treatment of injured men. What is more important to us is this—that American Mutual's service helps make our plant a better place to work in . . . and a more profitable place for us.

"They do more than just eliminate danger—they help to build safety . . . build it not only in the form of mechanical guards around dangerous spots, but in

the minds of our men and in the methods of the work they perform. And, because safety contributes to efficiency, American Mutual's practical and economical engineering methods make possible a more favorable operating cost . . . saving not only in the cost of insurance, in the elimination of indirect, uninsurable accident losses, but also in the actual cost of getting goods produced.

"From this piece of paper, we can build profits which can never be taken away."

* * *

American Mutual offers industrial firms an opportunity to make three extra profits:

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restoring the valuable services of men who have been injured.

- ... from a cash dividend of 20% or more, paid regularly to our policyholders since 1887.

American Mutual, America's first liability insurance company, has branches in 55 of the country's principal industrial centers. In addition to Workmen's Compensation, it offers opportunity for savings on Automobile, Fidelity Bond, and practically all other lines of liability insurance.

Admitted Assets: \$14,866,813.84 Liabilities: \$29,447,222.08
Surplus to Policyholders: \$5,423,191.76 As of Dec. 31, 1932



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American Mutual

gives a 3-profit opportunity

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DAVE DUBINSKY—The colorful head of the I.L.G.W.U. has a tough decision to make.

Garment Union Fights Labor Split

And if C.I.O. goes through with its plan for a permanent organization apart from A.F.L., it may have to go without Dubinsky and his I.L.G.W.U.

EXECUTIVES of 38 unions, members of the Committee for Industrial Organization, were busy this week informing their members of the plan to hold the first national convention of C.I.O.

The other C.I.O. union (there are 39 in all) wasn't excited about the plans to set up a new labor federation which were implicit in the meeting call; in fact, was sorry to see the decision made. And the chances are that when—and if—C.I.O. unions send dele-

gates to a convention next fall to agree on national officers, permanent objectives, and a definite framework of amalgamation, the International Ladies Garment Workers Union will not be there.

It is too early to predict what the I.L.G.W.U. will do, but the facts are these:

1. The I.L.G.W.U. joined the industrial unionizing committee because it felt that the mass-production indus-

tries should be organized industrially and because it believed that the American Federation of Labor was wrong in holding out for craft-by-craft organization.

2. Repeatedly since the C.I.O. drive began, David Dubinsky as president of I.L.G.W.U. has made open and vigorous attempts to effect peace between the C.I.O. and the A.F.L., backed by majority sentiment of his union.

3. Although peace moves still are going on, no advances toward a workable solution have been made since last December. And if the C.I.O. sets up shop as a federation in its own right, it will seem to have abandoned all hope of conciliation with the A.F.L.

Consequently, when the I.L.G.W.U. executive board receives an invitation

LABOR ANGLES

ANNUAL reports to employees, now being tried out by several companies which see in the device a good educative technique and a fine morale-builder (*BW*—Mar 12 '38, p. 15; Apr. 9 '38, p. 32), broke into the railroad field this week. Pres. L. A. Downs of Illinois Central, in sending his report to employees, reversed the usual procedure; he sent the statement to workers first, and will follow later with the annual report to stockholders.

AMERICAN FEDERATION OF LABOR leaders are pondering a problem of finance. If the war with C.I.O. is to be continued, funds are needed for extra help in the organizing field and for battles before the National Labor Relations Board. But the special as-

essment urged some months ago has been turned down by one big A.F.L. group, the International Typographical Union, by a vote of 35,730 to 12,115, and other unions may be reluctant to contribute to the kitty.

INCIDENTALLY, the race for presidency of the typographical union is nip-and-tuck between the incumbent, Charles P. Howard, who favors C.I.O., and Claude M. Baker, who doesn't. Final results will be known a month from now.

THE Associated Farmers, high-pressure farm group on the West Coast, won a round in their fight to "keep the roads to market open" last week when the teamsters' union in San Francisco and Los Angeles agreed

that the farmers could load or unload without union help. In return, the farmers probably will forget their threat to boycott the city areas.

For more than a year, a C.I.O. affiliate in the white-collar field has been steadily organizing insurance and bank office workers in the New York City area, waiting for a big victory before jumping to other cities. This week, the United Office and Professional Workers planned to build enthusiasm on their victory in the first big test—a hairbreadth decision in the Metropolitan Life's local offices. Conducted by the State Labor Relations Board, the election among agents of 88 offices showed 1,278 for the union, and 1,242 against, with 12 ballots voided.

1938

MANAGEMENT OBJECTIVES

NUMBER 3

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to join the other C.I.O. unions making the clean break, it will face a difficult decision. The majority membership believes in C.I.O. principles of organizing the unorganized, but it believes that this can be done within the A.F.L. A number of members on the executive board have thus far gone along with C.I.O. reluctantly, and they may decline to go further. The I.L.G.W.U. has three choices: It can stay with C.I.O., pull out and rejoin the A.F.L. (which would be overjoyed), or continue for a time as an independent.

Defection of the ladies garment workers would hurt C.I.O., but not by any means as badly as it once would. In the beginning, the Committee had three strong unions—United Mine Workers, Amalgamated Clothing Workers, and the I.L.G.W.U.—and seven

others which were decidedly smaller. The big three each had well-filled treasuries, thorough knowledge of the art of organizing, and first class officials. They all contributed money and brains. And they still do.

Other Big Unions in C.I.O.

But today, there are other big unions in C.I.O. Out of nothing, or nearly nothing, have sprung the Steel Workers Organizing Committee, Textile Workers Organizing Committee, United Rubber Workers, United Automobile Workers, Federation of Flat Glass Workers, and the Electrical, Radio, & Machine Workers. Furthermore, a score of others in as many industries have been built to a position of real importance; some first became affiliated as independents, but others were built from the ground up.

Those who know the sentiment of both national organizations feel that the threat of a C.I.O. convention and complete severance from the A.F.L. may speed conciliation moves, provided they are started within the next few weeks. Rank-and-file membership in both groups wants a united labor movement rather than permanent rivalry. But if summer comes without a hint from the A.F.L. that industrial unionism can be fully recognized as an autonomous branch, the C.I.O. undoubtedly will "go it alone."

Before the final decision must be made, the C.I.O. will have its new program of "decentralization" well under way. First step was the naming of Philip Murray of the steel workers union and Sidney Hillman of the textile union to executive vice-presidencies last week; this amounted to a "sharing of administrative power" and of the authority which John L. Lewis formerly handled pretty much by himself. By this move, the C.I.O. hopes to relieve the minds of the public as well as of some of its own members of any fears about "dictatorship." It will follow up with a plan to administer the affairs of unions in each industry separately, under autonomous boards or committees.

No Guild Coast Strike

San Francisco newspapermen win on most points but lose on "Guild shop" demand.

NEWSPAPERMEN made the biggest labor news on the West Coast this week, when the Northern California Newspaper Guild approved a 1938 contract with five newspapers in the San Francisco Bay area. The Guild, a unit of the American Newspaper Guild, and the San Francisco Publishers Association, went through five months of haggling before last Sunday's 243-to-22 vote of the union members to accept the contract (BW—Apr 16'38, p.23).

Preferential rehiring, assurance against pay cuts, high dismissal pay, and overtime compensation for all employees, plus increased wages and shortened hours in the business offices were agreed upon. The "Guild shop," or preferential hiring which would enforce Guild membership on new employees, was left out after bitter debate.

Guild Demands Guarantees

Long-brewing unrest in the ranks of the San Francisco newspaper people has been brought to a head since the turn of the year, when management undertook to effect economy measures. Following a staff reduction in February, when the publishers discharged from 10 to 30 employees each, strike talk began to ripple through the jour-



A gas-producing company with a large domestic market sank a well in a field of normally-sweet gas, but it encountered "sour" gas. Legal restrictions prevented its sale for domestic purposes and the whole investment was jeopardized.

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K O P P E R S

nalists' ranks, and the Guild negotiators demanded guarantees against further cuts. They pressed for contracts to include business, classified advertising, and editorial offices. When the publishers stood fast on refusal, Guild leaders threatened a strike.

Three newspapers operated by the Hearst chain are covered in the new contracts; they are the San Francisco Examiner and Call-Bulletin, and the Oakland Post-Inquirer. One is home-owned—the San Francisco Chronicle. And one is a member of the Scripps-Howard chain—the San Francisco News. All have had substantial Guild membership for two or three years, but agreements with management were mostly unwritten and confined to the editorial staffs.

Membership Drives Planned

The Guild's victory in hewing out a contract for three departments in each of the five papers (missing only the Oakland Tribune among major dailies in the district) will be used to boost morale in other branches of the Committee for Industrial Organization's affairs on the West Coast. In other areas of the country, the Guild was planning this week to put on membership drives, stressing the demand that present agreements be extended to include departments other than editorial.

On the opposite seaboard, the Guild has got new impetus from the New York Daily News contract, recently expanded to include a general "preferential shop" provision. All new employees, under this agreement, must join the Guild within six months after being hired. The editorial department already had such an agreement, now it is extended to the business offices.

Only major strike by the Guild, in recent weeks, has been the tieup of two Duluth papers, the Herald and News-Tribune, which were forced to suspend publication two weeks ago. Employee representation claims advanced by an American Federation of Labor group, the Office Workers Union, in opposition to Guild demands complicated the issue and introduced a note of jurisdictional strife.

Small Business Job

Organization of smaller concerns sets up clearing house for applications for RFC loans.

BACK in February, there was a parliamentary riot in Washington. The "small business men" of the country foregathered at Secretary of Commerce Roper's request and told the national government a thing or two (BW—Feb 12 '38, p 16). One of the things was that small business men

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wanted money and had no ready means of getting it.

Subsequently, Sen. Glass introduced a bill to make it easier for the little business man to get funds from the Reconstruction Finance Corp. (BW—Apr 23, p15). This passed speedily but many have wondered what its proposed beneficiaries are going to do about it.

This week brought one answer from one of the products of the Washington conference—the Smaller Business Association for New York, (northern) New Jersey, and (southern) Connecticut. The S.B.A. for N.Y., N.J. & Conn. announces that it has organized a committee to help small business men file applications for loans under the new RFC powers. The S.B.A. is incorporated under the laws of New York state, and will serve as a clearing house for such loans.

How S.B.A. Operates

Any small business man who notifies the S.B.A. that he wants money will receive a questionnaire, which asks (among other things): how much? how long? how will you pay it back? what do you want the money for? will loan result in more employment? how big's your business? what is your business?

After the S.B.A. scrutinizes the questionnaire, it notifies the small business man whether he is likely to be an acceptable risk. If the answer is "yes," then S.B.A. sends him RFC forms to be mailed directly to Washington, and from that point on it's between Jesse Jones and the s.b.m.

S.B.A. has already received approximately 1,000 requests for assistance in filing forms for loans. Clearing-house headquarters have been established at the Hotel New Yorker. The idea is to cut down RFC's job by weeding out business men who are *prima facie* inel-

igible. Of course, there is nothing to prevent a small merchant or manufacturer from going over the head of S.B.A. if he gets an "n.g." rating but S.B.A. expects that most firms, once they get a verdict, will accept its judgment.

The S.B.A. for N.Y., N.J. & Conn. covers the Second Federal Reserve district. There are several like it under way in other districts. The RFC lending program is a definite help to membership drives. In advising small business men how to raise money, the small business organizations will be providing a service long needed by companies with insufficient resources to hire high-powered controllers, treasurers and financial advisers.

Eying Big Board

Small exchanges seek right to
trade in issues listed on New
York market.

THE smaller stock exchanges not only are out after new business, but they wouldn't mind taking a little from the New York Stock Exchange as well. The Securities and Exchange Commission's advocacy of strong local markets (BW—Mar 12, p17) has encouraged the small exchanges to go after some of the Big Board's business originating in the little fellows' home territories.

Within the last few days the Los Angeles, Chicago, Boston, and Philadelphia stock exchanges have been before the SEC with a variety of suggestions and requests. Most frequently, the idea is for the small exchange to cut in on the big brother's odd-lot business; often, though, the markets outside New York suggest that they also could do round-lot business.

These requests became bolder after



SEVEN DIRECTORS of the Smaller Business Association for N.Y., N.J., and Conn.—which this week set up a clearing house to speed RFC loans—pictured recently when the association incorporated. Judge Aaron J. Levy of the Supreme Court of N.Y. signed the papers. Looking on are Morris Josephson, hat and cap manufacturer; Edwin A. Storms, paint and chemical machinery; George A. Gottlieb, hotel operator; J. F. Murawski, loose leaf manufacturer; William A. Zwicke, general contractor; J. Preston Mottur, cork products; and Henry Modell, sporting goods.

"Raiding" Record

As stock exchanges intensify their campaigns to obtain unlisted trading privileges in security issues listed on other markets, the box score of accomplishments to date shapes up like this:

New York Curb has the SEC's approval for unlisted trading in two issues listed in Boston, one in Salt Lake, and 10 traded over-the-counter.

Boston Stock Exchange has won the right to unlisted trading in 13 issues listed on the New York Stock Exchange and two on the New York Curb.

Los Angeles Stock Exchange has obtained unlisted trading privileges in 10 issues listed on the Big Board.

Pittsburgh Stock Exchange has been granted unlisted trading privileges in nine Big Board issues and in one listed on the New York Curb.

San Francisco Curb Exchange (since merged with the San Francisco Stock Exchange) has won the right to unlisted trading in 3 issues on the New York Stock Exchange, one listed in Salt Lake, and one on the New York Curb.

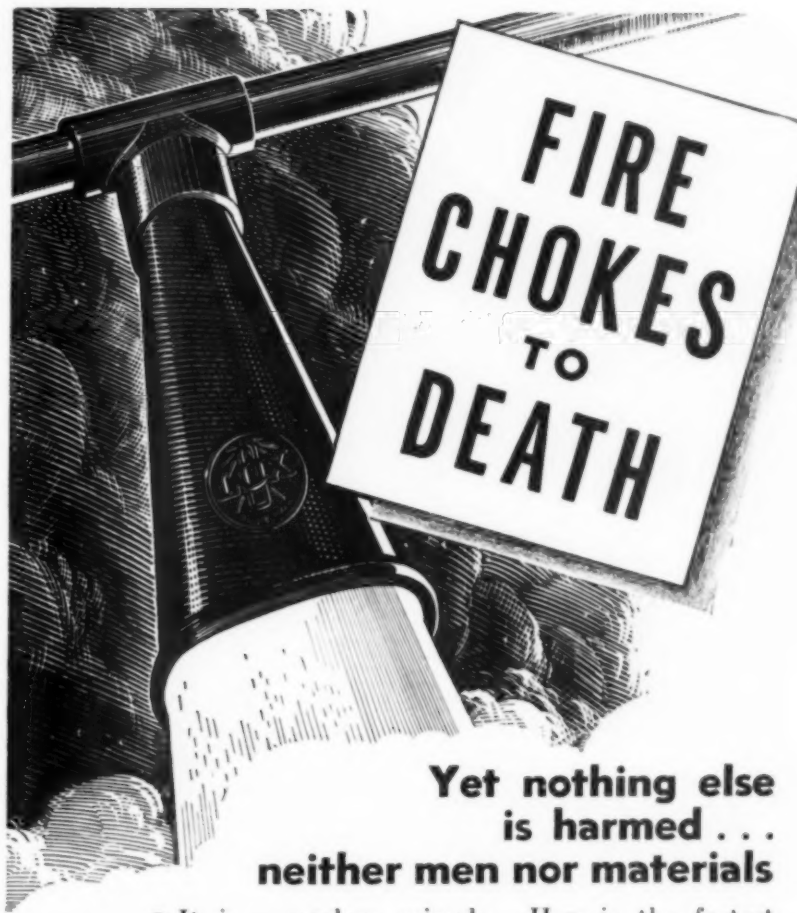
Philadelphia Stock Exchange has obtained unlisted trading privileges in two issues listed on the Big Board.

the SEC granted Los Angeles the right to do both round-lot and odd-lot business in ten issues listed on the New York Stock Exchange. The commission pointed out that the plan made it possible to conduct trading in these securities 2½ hours after the close in New York due to the difference in time.

In the cases of the Boston, Philadelphia, and Chicago markets, however, there is no difference in time. All three close with the Big Board. But they don't see how they can attain robust health without additional trading. They can't offer a strong market for new industries in their areas if they don't do a healthier volume of business.

Getting Serious Attention

Inasmuch as the SEC wants these local markets to attract local listings, thereby facilitating financing of small industry, these arguments seem to be getting serious attention in Washington. Considerable time was given to Boston's plea that it be allowed to start unlisted trading in 15 Big Board stocks, both in odd lots and round lots. Boston, incidentally, has revised trading rules for round lots to permit four different methods of executing orders so



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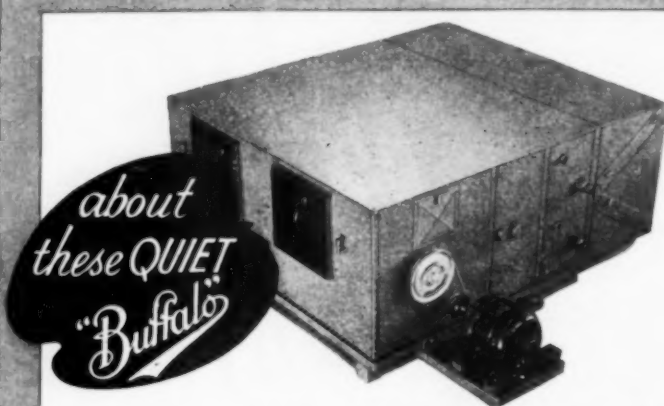
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Now, J. D. Houser, author of "What the Employer Thinks," studies the problems of the employee and the consumer; and uncovers factually and convincingly the many current misconceptions as to workers' and consumers' desires and attitudes. The book shows plainly that decline of profits is often only the graphic indication of what is happening to morale.

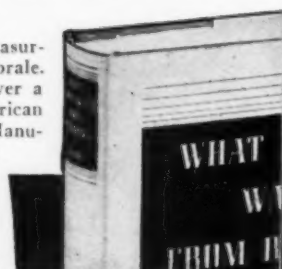
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as to assure execution as efficient as could be obtained in the "primary" or New York market.

Chicago's plan, the most recent to come before the SEC, is to provide free listing for securities on the New York board. That is to say, the company which lists its shares won't be required to pay a fee for the privilege. If this plan doesn't work, the exchange is considering unlisted trading in such shares. The Chicago Exchange, however, intends to trade these issues only on an odd-lot basis. Inasmuch as their commission rates on odd-lots are lower than those prevailing on the Big Board, leaders of the Windy City market figure they ought to be able to drum up a pretty fair business.

Boston argues, however, that such unlisted trading isn't a sufficiently broad base for a prosperous market. Hence its request for round-lot privileges as well. Philadelphia, in asking SEC for permission to trade in Boeing Airplanes and United Aircraft shares, also wants to do a round-lot business.

In considering these plans, the exchanges and the SEC seek to define the "local" areas so as to limit solicitation of orders by the smaller markets to their own logical spheres of influence.

British War Orders

London now likely to add airplanes to list of American items on its preparedness list.

An old perennial blossomed last week—the report that Britain will soon be in the market for war planes made this side of the Atlantic.

Skeptics said they'd wait until they saw the contracts placed before they would believe it, but insiders—fully informed that the British government was behind the purchase in world markets a few weeks ago of 15 shiploads of wheat which they wanted held "in reserve" in England—insisted that, this time, there was substance to the airplane story.

Britain's huge airplane building program is making considerable headway in the "shadow plants" (BW—Apr 23, p 44), but it cannot be forgotten that Germany had a head start of at least three years on the British.

\$25,000,000 of Business

Aviation authorities in the United States declare that it would be possible for this country to provide the British with as many as 3,000 planes within a year, but explain that they would be greatly surprised if the British ordered more than 500. At an average price of \$50,000, this would give the United States aviation industry \$25,000,000 of business.

Airplane production in this country

last year made a peacetime record. (Output included 3,187 planes (947 military), and value exceeded \$115,000,000. Only 629 planes were exported, and they were worth \$21,000,000. Argentina, China, and the Soviet Union were the three largest customers. Britain, in ninth place, took planes and parts worth less than \$1,750,000.

No Military Secrets Sold

If the British place orders here, there need be no fear that we are selling our military aircraft secrets. There is a ruling in this country that no new military aircraft can be sold for export until at least one year after the second unit of that particular model has been delivered to the Army or Navy. So, unless there is special permission from Washington, any planes sold to England will be of models at least a year old. This still makes it possible for the British to buy pursuit planes capable of climbing 30,000 feet, and of traveling at 300 miles an hour, or of securing bombers capable of flying 2,500 miles non-stop, of traveling 200 miles an hour, carrying 2½ tons of explosives.

First orders placed on this side of the Atlantic would almost certainly go to Canadian plants, all of which are branches of American producers. Boeing, Fairchild, Fleet Aircraft, and Canadian Car & Foundry (now manufacturing Grummans) are all capable of handling some British business in their Canadian plants. As soon as production capacity is reached, however, orders would be shifted to the United States.

Aviation authorities declare that the industry in the United States has plenty of engineers, draftsmen, and other technicians to handle a fairly large volume of new business at once, but would run into a shortage of skilled mechanics. These can be trained in a fairly short time for some jobs, and it is likely that quite a number of skilled machinists could, if circumstances required, be taken over from the automobile industry.

British Buy Iron and Steel

British buying would be in line with developments of the last few months. The United Kingdom in February (latest month for which detailed figures are available) continued, for the fourth consecutive month, to be the largest market for American iron and steel products. British purchases of iron and steel scrap in this market for the first two months of this year amounted to 206,916 tons, compared with 17,899 tons in the same period in 1937. This accounts importantly for the increase in British imports from the United States during this period of from \$74,000,000 to \$112,000,000.

A usually well-informed British au-



The Early Statement Gets the Cash!



LET Underwood Elliott Fisher Accounting Machines speed your statements into the mail-bags right on time for prompt first-of-the-month delivery. Give your accounts first chance at debtors' check books. The early statement usually gets the cash!



Elliott Fisher model with the exclusive flat writing surface in general use in hundreds of industries

Early statements are a by-product of Underwood Elliott Fisher machine accounting. In many organizations statements are built up day by day by the same key strokes that post sales records, customers' ledgers, control sheets and any special forms that may be required. Underwood Elliott Fisher Accounting Machines allow each key stroke of the operator's fingers to do multiple duty.

No matter what your accounting problem may be let Underwood Elliott Fisher work out its solution with your own accounting organi-

zation. Underwood Elliott Fisher machines will do a complete accounting job . . . maintain your books in daily balance, keep up-to-the-minute figure facts constantly on tap and produce all the payroll records required by the Federal Social Security Act in one operation—in general give you a better, more economical accounting job.

Telephone our nearest Branch or write for full particulars today.

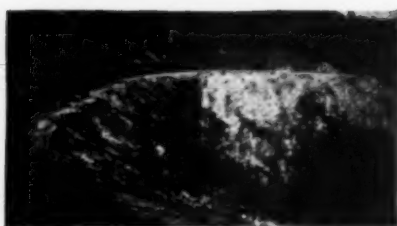
Underwood Elliott Fisher makes three complete lines of accounting machines with a wide variety of models in each. Prices are as low as \$700. Every machine is backed by nation-wide, company-owned service facilities.

Accounting Machine Division
UNDERWOOD ELLIOTT FISHER COMPANY
Accounting Machines . . . Typewriters . . .
Adding Machines . . . Carbon Paper,
Ribbons and other Supplies
One Park Avenue, New York, N. Y.
Sales and Service Everywhere
Underwood Elliott Fisher Speeds the World's Business
Copyright 1938, Underwood Elliott Fisher Co.



Underwood

Elliott Fisher Accounting Machines



Blasting the Way to Scenic Beauty

How much of the scenic beauty of America could you enjoy if it were not for the development of modern explosives?

The answer is—precious little!

For modern explosives are basic factors in modern highway development.

The tremendous, yet scientifically controlled force of modern explosives, makes it possible for you to pilot your car through mountain ranges that were once impassable . . . to travel hundreds of cross-country miles in hours instead of days.

America can well be proud of her highways. And Atlas is proud of its part in the development of explosives that helped—and continues to help—in their building.



ATLAS
POWDER COMPANY
Wilmington - Delaware

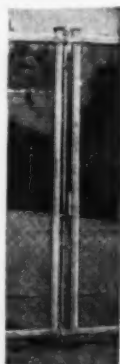
ANCHOR FENCES

Stand The Rap!

—and so do Anchor Gates! The frames are of square tubular steel—for strength. They are inseparably butt-welded—for rigidity and permanence. Anchor Gates won't sag, drag or warp. They always swing free and lock tight. Other features of Anchor Fence construction are described in Anchor's

FREE FENCE BOOK

It tells all about fencing . . . helps you select fences and gates that look better, last longer. Get this valuable book FREE, and the local address of Anchor's Nationwide Erecting Service. Write: Anchor Post Fence Co., 6670 Eastern Ave., Balto., Md.



ANCHOR
FENCES
PROTECT PLANT PROFITS

thority in Washington told *Business Week* that London is paying less and less attention to week-to-week ups and downs in the international situation, but is beginning to take a definite long-

range view of the necessity to back up talk with guns, or back down. If true, this may account for considerable British business this summer which might not otherwise be expected.

Making Latin America Listen

Broadcasting companies, anxious to keep Washington out of their business, show what their programs can do to compete with Europe's propaganda.

Is the United States government going into the broadcasting business?

This question became a major worry of both broadcasting stations and advertisers several months ago when a bill was introduced in Congress to build a government-owned station especially to broadcast to Latin America. It is one thing for the government to plan to counteract in that part of the world the propaganda-broadcasting of the European nations; it is another for the government to build its own station to handle these broadcasts.

Late in February President Roosevelt gave to the whole problem a new twist which now is keeping it in the limelight. A committee was appointed which included, among others, Frank R. McNinch, chairman of the Federal Communications Commission, Attorney-General Cummings, John W. Studebaker, Commissioner of Education, Dr. Alexander V. Dye, director of the Bureau of Foreign and Domestic Commerce, and representatives of the State, Interior, and Agriculture departments. This committee, which promptly chose Mr. McNinch as its chairman, was given the duty of studying the whole field of international broadcasting—which means largely short-wave—and

recommending what the United States should do to build up cooperation in the use of the special Pan American channels recently assigned to this country, and to combat the propaganda of the powerful European stations.

What this committee will recommend to the President is expected to be known within the next month. Insiders say it will ask for closer cooperation between the broadcasting companies and the government, for the removal of at least some of the restrictions against the use of commercial broadcasts over the Pan American frequencies, and—probably—recommend that a government-owned station be established to concentrate on democratic propaganda aimed at Latin America.

Against Federal Venture

The broadcasting companies are not alone in opposing the entry of the government into the broadcasting business. Advertisers and the public who are familiar with the restricted radio programs of most of the countries of Europe are reluctant to see any move here which might lead up to a similarly controlled system for this country. The reaction of a good many of the broadcasters who have appeared before the



FRANCE LISTENS IN—The French government has established several stations around the country where listeners take down in shorthand what is broadcast by short wave from other countries. It's an accurate check-up on competing propaganda. The "air defense" station shown above was built into the obsolete fortifications of Paris to safeguard it against air attacks.



GERMAN BROADCASTS are prepared for North America as well as South America. Program sheets like the one above are circulated among German-Americans. An amusing angle is the advice at the bottom of the German side of the program to use German receiving sets. It's omitted on the English side.

McNinch committee is that many members are in sympathy with this view.

Aware of this feeling and determined to act before it is too late, the broadcasting companies are going in for intensive development of their short-wave business, whatever the cost. Columbia Broadcasting System, since Jan. 1, 1937, has nearly doubled its expenditure on short-wave operations, and has increased its short-wave program staff by 6 permanent members and 4 part-time translators; 95 programs a week are being broadcast to South America during 38½ hours of broadcasting.

National Broadcasting Co. a little more than a month ago appointed Frank E. Mason, versatile vice-president, to develop the short-wave division, which is already being enlarged. When NBC aimed the antennae on its first Spanish broadcast at South America in July, 1936, it was prepared to send out just three 15-minute news programs a week. Since July of last year, it has been broadcasting 16 hours a day in six languages, and now sends out 90 news broadcasts a week, besides 38 special features.

General Electric's Program

Of the nine United States companies operating 12 short-wave stations carrying programs for Latin America, two more—General Electric at Schenectady, and World Wide Broadcasting Foundation, Boston—have attracted special attention. General Electric has been primarily interested in the development of experimental broadcasting, but as a check on its progress has attempted to maintain a certain number of feature programs on which it can collect listener response. Besides its Wednesday night "Hora Exquisita," for which GE provides its own orchestra and invites



SPRING SONG

When new straw hats glisten on the Avenue, it's a sure sign of Spring—and it's also a sign that they were lacquer-sprayed with DeVilbiss Equipment.

Hundreds of other unusual applications of the DeVilbiss spray principle are saving dollars and making good products better for manufacturers and fabricators in all parts of America. DeVilbiss has designed spray systems for the painting of battleships, the finishing of buttons, the coating of golf balls, and thousands of operations.

DeVilbiss makes everything it takes to make a spray—air compressors, material containers, hose, spray guns, exhaust equipment, and all the accessories. With this complete range of spraying equipment and 50 years of successful experience, DeVilbiss men are helping manufacturing executives meet the problems of increased labor costs, shorter hours, and higher material prices.

HAVE YOU A PROBLEM?

If in the fabrication of *your* products you are faced with the problem of applying fluids or finishing materials—whether you spray lacquer on Spring hats or decorations on Christmas Trees—DeVilbiss can help you. We'll be glad to send a trained DeVilbiss engineer to discuss your problem on the spot and show you just how it can be solved. Just write or wire. The DeVilbiss Company, Toledo, Ohio.

DEVILBISS SPRAY SYSTEMS

1888 FIFTY YEARS OF QUALITY PRODUCTS 1938




**Use
DARNELL
Office - Chair
CASTERS**

**FOR A GREAT BIG
MONEY'S WORTH...**

Write for new 192 page problem-solving Darnell Caster and Wheel Manual - shows how Darnell Products will Save Money, Floors, Equipment and Time.

DARNELL CORPORATION, LTD.
BOX 40718, ST. LOUIS, MISSOURI, CALIFORNIA
18 N. Center St., Chicago — 34 E. 22nd St., New York



**DOWNTOWN ST. LOUIS
AT YOUR DOORSTEP**

350 modern rooms and suites and
3 smart restaurants at your service.
Over 50% of all rooms rent
for \$1.50 or less single \$1.00
or less double.

**Hotel
Mayfair**
ST. LOUIS

METAL BUILDINGS

Fire and Weather Proof!

Rigid, permanent construction—according to A.I.S.C. specifications. May be altered or dismantled and re-erected with almost 100% salvage. Insulated if desired. Standard or built-to-measure. Find out why Maryland Metal Buildings can be built and maintained at lowest cost per square foot of floor space!

MARYLAND METAL BLDG. CO., BALTO., MD.

MARYLAND METAL BUILDINGS

Latin American guest performers, the GE stations provide literary programs in Spanish and Portuguese, travel talks on the United States, news, musicals, and English lessons.

World Wide is not a competitor of the broadcasting companies, for it is supported by grants from various groups and individuals (including the Rockefeller Foundation) and is formed "to develop, produce, and broadcast programs of a cultural, educational, artistic and spiritual nature, and to arrange for the interchange of constructive radio programs." It sends its programs out over WIXAL at Boston, and broadcasts to the whole world, though it has made a special effort of late to develop and provide an interchange of programs for Latin America.

Listeners' Reactions

Washington has just completed a cursory survey of Latin American reactions to the international programs; which are received south of the Rio Grande. There is no definite knowledge of how many people have short-wave receiving sets, though presumably many listeners have heard the programs only when they have been rebroadcast over local long-wave stations.

For the majority of these countries, German and British broadcasts are rated ahead of the United States in both reception and quality. The big Rome station ranks not far behind the United States, and the French and Dutch stations are heard regularly.

There are several reasons for the greater popularity of some of the European programs, particularly the German. In general the stations are more powerful than the short-wave stations

in the United States. More of the programs are broadcast in Spanish and Portuguese. Germany, particularly, broadcasts a great deal of high-class music. It prepares many programs exclusively for Latin Americans.

U.S. Companies Show Progress

Since the beginning of this year the United States broadcasting companies have made considerable progress in their appeal to Latin Americans. More programs are going out in Spanish and Portuguese. More music is being broadcast. In cooperation with Washington, big national events are being broadcast. All of Latin America had the opportunity of hearing the Roosevelt Pan American Day address, the inaugural address of the new Argentine President, the first address of Senor Aranas as Minister for Foreign Affairs in Brazil. In the case of the President's Pan American Day address, NBC went to the extravagant lengths of lining up the biggest network ever set up in South America to re-broadcast the speech over Latin American stations. In addition to sending the speech out from here over four short-wave stations, NBC routed the address through RCA facilities direct to Argentina, Chile, Mexico, Cuba, Brazil, Peru, Uruguay, Colombia, and Venezuela.

No action is expected this spring on the bill before Congress to build a government short-wave station in California. Before Congress reassembles, the broadcasting companies will have had their opportunity to show what they can do. From present indications, they will be able to make a much greater impression on Latin America than was the case even six months ago.

PARALLEL—UNTIL NOW

Stock Prices Attempt to Break Away From 1931-32 Pattern



List Radio Sponsors

Newspapers set new advertising rate for adding sponsors' names to announcements.

Is the days when radio was a squalling brat, and newspapers were still able to look upon it with fatherly indulgence, radio program listings in the daily papers generously included the name of each program's sponsor. When radio grew into a healthy competitor of newspapers, however, the sponsor's name dropped out of the program listings like a hot penny.

In Quest of Ad Revenues

For a long time newspapers have been thrashing around, wondering how to squeeze some advertising revenue out of their radio pages. There have been plenty of plans, and some of them have even been tried out, but so far nobody has been able to make one really work. For it has involved getting all the newspapers together on the proposal.

This week the Lahey-Daly Co., New York advertising entrepreneurs, came forth with a new plan whereby radio advertisers could buy space in newspapers' radio program announcements in order to list simply their product or company name in some such manner as the following:

1:00

WEAF—Weather reports.
WOR—Health talk. (*Borden's Milk)
WJZ—Farm and home hour.
WABC—Betty and Bob, sketch; Betty Crocker, "Cooking." (*Crisco)
WHN—Singin' Sam. (*Oxydol)

1:15

WEAF—Vocal quartet. (*Lysol)
WOR—Vocal ensemble.
WHN—Piano recital.
WMCA—"New Frontiers for Smart People."
Dr. J. S. Thomas and Alfred T. Falk. (*Gold Medal Flour)

How Listings Are Arranged

In developing its plan, Lahey-Daly contacted newspapers in cities with a population of 100,000 or over (approximately 300 papers), and got them to fix rates for such advertising. Lahey-Daly acts as a clearing house. Radio advertisers select the newspapers they want to use from the Lahey-Daly list. The newspapers bill Lahey-Daly, who in turn presents a single bill to the sponsor's agency. The agency gets its regular commission. Lahey-Daly collects a fee, and newspapers pick up advertising revenue that's been lying dormant for some time.

About two-thirds of the newspapers have set a flat rate of \$1 per insertion for this listing, though the rate goes up to \$6 for the Sunday New York Journal-American, and a proposed \$8 for the New York Sunday News. Average cost for a radio sponsor, Lahey-Daly suggests, should be 2% of his radio budget.



COPIES FOR EVERY BUSINESS RECORD
... FOR EVERY DEPARTMENT
-at one writing!

Two copies or more, all in perfect alignment, clear, legible, distinct, typed over the Egray Speed-Feed—that's the modern, time-, labor- and money-saving way to write all multiple copy forms, with copies for all interested departments completed at a single writing.

Invoices, Production Orders, Remittance Advices, Way Bills, Back Orders, Bills of Lading, Requisitions, Acknowledgments, Voucher Checks, Purchase Orders, Collection Notices, Stockroom Records, Shipping Advices, Receiving Reports, Credit Memos, Service Charges and many other forms.

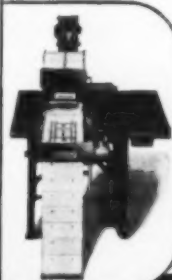
EGRY BUSINESS SYSTEMS

and Egray forms are designed for all types and sizes of businesses to expedite the recording of all initial transactions; to give complete control and protection over all business activities; to eliminate losses caused by mistakes, carelessness, forgetfulness, temptation. Descriptions of Egray Systems—Tru-Pak, Com-Pak and Handipak Register Systems; Auditor and Credit Systems; Speed-Feed; Automatic Controller for Elliott Fisher; Automatic Controller for the Addressograph—and data on their application to your specific needs, will be sent on request. Demonstrations arranged in your own office without cost or obligation. Consult

telephone directory for the name of Egray Sales Agent or write department BW-423.

Egray Systems Service Division

An organization of business form specialists who will be glad to develop systems for your special requirements, or suggest system changes and improvements to meet new conditions. Make use of this service freely, without obligation, of course.



The EGRAY REGISTER Company
Dayton, Ohio
SALES AGENCIES IN ALL PRINCIPAL CITIES



When Executives start itemizing their own "Incidentals", it is doubly important to keep them sold on your product!

WHEN there's smoke in every chimney and a carnation in every lapel, selling things to a company is capital fun. But the real test comes when business begins to ease off a bit. That's the time when industry grows cautious — when careful discrimination is exercised as to what new equipment and modernization is immediately important and what can be deferred.

Business Week sells the men who have the final say — as no other publication has been able to do. No business paper campaign and no sales program is complete today without Business Week — the executive's business paper.

Business Week reaches more executives per advertising dollar than any other general magazine or general business magazine.

BUSINESS WEEK



ALERT . . . ACCURATE . . . AUTHORITATIVE

McGraw-Hill Publications • 330 West 42nd Street, New York, N. Y.

Business Abroad

European markets are more cheerful on favorable international developments. France signs commercial accord with Italy. Soviet Union ends private farming. Mexico will end 3% import surtax.

OUTSIDE the United States there was a distinct boom in business optimism this week. Paris markets were operating at boom proportions, and Amsterdam was more than usually active. London was more cheerful than for several weeks but hesitant about making commitments until details of the new budget with its possible new taxes are known. This is expected next Tuesday.

Several factors account for the optimism: the Anglo-Italian accord over the Mediterranean, the Italo-French commercial agreement, which becomes effective on May 1, the prospect that the new Daladier government in France is going to handle the strike situation successfully and maintain the backing of the country while carrying out its economic adjustments during the next three months, and the improved outlook for a gradual but satisfactory settlement of the Mexican problem.

The Mexican problem took a favorable turn this week when it was reported from official quarters in Mexico that the government would ask Congress to remove the 3% surtax on all imports which has caused business so much trouble since it was imposed on Sept. 15, 1937, and when the Mexican Finance Minister arrived in Washington presumably to make some new agreement with Sec. Morgenthau covering the disposal of Mexican silver and the bolstering of the peso. Presumably Mexico's lower tariff rates become effective May 1, as planned last January.

Business will be far more concerned with whatever commercial accord Rome and London draw up after the Spanish situation is cleared up than with the present political settlement. If it coincides with the announcement of the Anglo-American trade agreement—which is likely—it will be a tremendous bull factor in the stimulation of world trade.

Soviet Union

Moscow will complete collectivization, make new concessions to farmers.

Moscow (Cable)—Soviet officials issued three decrees this week which will end the last remnant of individual peasant farm holdings, but which at the same time will make more attractive the lot of the collective farmer.

The move has been anticipated for some time but is undoubtedly precipitated by the growing conviction that the Soviet Union must be prepared alone to defend herself from possible simultaneous attack in east and west.

Any idea of a purge among the farm population is dispelled by the frank statement from the Kremlin that no such idea will be tolerated. Since Soviet officials have always shown a special interest in keeping the peasants as nearly happy as possible, it is that this promise will be kept.

There are still 1,400,000 individual peasant farms in Russia, making up about 6% of the farm population. With extreme laxity in the collection of government taxes and of grain and meat levies for the state, many of these farmers have fared better than the col-

lectivized workers. This week's decree will put an end to this.

The first decree orders authorities to carry out these levies strictly, and reestablishes the state levy on horses belonging to the individual peasant households.

The second decree fixes a minimum of 60% and a maximum of 70% as the amount of collective farm income which must be divided among the members of the collectives after each harvest. Heretofore, collections have sometimes been much greater, or, in case of favoritism, much less.

The third decree sets a maximum of 10% of the total income as the amount which may be spent in any one year on capital construction, and at 2% the amount which can be collected for administration expenses. This is expected to do away with cases where the collective farmers, even after a record harvest, were unable, because of bad planning by the management, to receive cash for any disposal of surplus. Payments have been made in kind, but this failed to provide them with cash for the purchase of clothing and such household equipment as was not made in the district.

FOREIGN ANGLES

A BRITISH air mission will arrive in New York on the *Queen Mary* Apr. 25 to place orders for military planes (page 40). Lockheed Aircraft Corp. already has an order for four transport planes worth \$350,000. Capable of flying at 250 miles an hour, they are convertible for military use. Potential British orders may run as high as 500 planes this year, though conservative authorities doubt if the total will run much over 300.

FRUIT farmers and canners should concentrate sales efforts in Britain. Due to heavy damage from late frosts, Britain fears a fruit shortage in coming months, is ready to enter world markets in a big way for quick deliveries.

VENEZUELA is an export market to be considered seriously. Imports from the United States so far this year are 50% greater than last year. The 1937 total was double 1936. Recently the Venezuelan government has set up an import quota system against imports from those foreign countries which limit imports from Venezuela. This hits Germany, greatest competitor of the United States in most Latin American markets.

IRELAND has contracted for the last available space in the 100-acre government section of the 1939 New

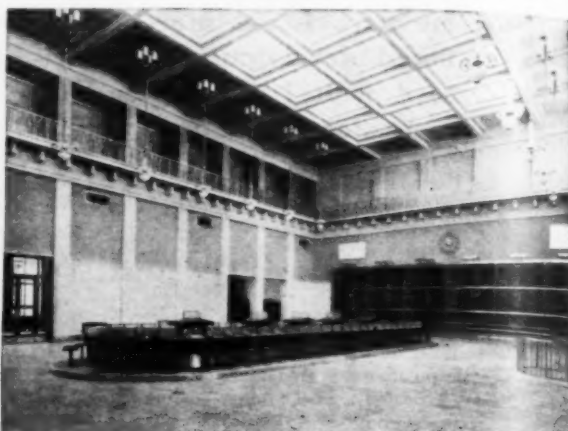
York World's Fair. Sixty-four countries will participate, at a total cost estimated now at \$25,000,000. The Fair is to open on Apr. 30, 1939, on the 150th anniversary of the inauguration of Washington as first President of the United States.

Moscow reports that large deposits of asbestos have been discovered in the Ukraine. They are only 10 ft. below the surface, and the fibre is more than 8 in. long. Also available in the same area are mica and talc.

SHIPPING freight rates are dropping rapidly. The March index showed a decline of 15% over February, and is 19% below rates in March 1937. Even tanker rates are declining sharply, indicating that independent dealers or the Mexican government may more easily than expected be able to pick up vessels not owned by the big oil companies for deliveries of Mexico's stored oil.

WATCH for British capital in Ethiopia. No big new commercial deal has been drawn up with Italy yet, but one is expected soon, and will include British credits, probably with strings demanding that at least a portion of the fund be spent for British equipment. Italian dealers have approached American manufacturers for distribution rights in Ethiopia and Egypt.

Czechoslovakia Gets a Modern Finance Center



To meet the demands of increased trading on the Prague market—made busier now with the addition of much of the international business formerly handled by the Vienna Stock

Exchange—the Czechoslovakia government rushed to completion this month the new home of the Prague Stock Exchange. At the left, an exterior view; at the right, the new trading floor.

France

Paris markets boom on wave of good news. New commercial agreement becomes effective May 1.

PARIS (Wireless)—The Anglo-Italian accord, the prospect of a new agreement between Paris and Rome, the strength of the new Daladier government, and the successful settlement of some of the most serious strikes in the Paris area reacted favorably on France. The stock market boomed at the beginning of the week, reacted only when world markets refused to show any enthusiasm for the Roosevelt spending program. A little capital has returned to France and the franc has strengthened considerably over its lows of last few months. Francs are expected to strengthen steadily over the next few months.

The new commercial agreement with Italy becomes effective May 1 and indicates Italy's willingness to sacrifice complete self-sufficiency for friendly ties with Western Europe. At the same time it provides for French commercial accounts frozen in Italy.

In spite of the brighter international outlook and more cheerful tone on the market, France still has major problems ahead. The treasury needs 27,000,000,000 francs for operations between now and the end of the year. Of this total, 3,000,000,000 francs are needed for April, 2,800,000,000 in May, 2,500,000,000 in June, and the balance during the second half of the year. A part of the Daladier scheme for handling the situation is to issue a new loan of 15,000,000,000 francs, and to attempt to collect larger taxes.

In spite of the successful Franco

drive in Spain, the war there is not expected to be ended for several weeks. Until it is ended and the worst problems have been settled, there will continue to be worries over complications which might develop.

It is thought in Paris that Germany will soon try to interest Britain in some new agreement covering major differences between the two countries. Logical outcome would be a 4-power Western European pact including France and Italy.

Great Britain

Business tone has improved because of better international outlook, but activity is delayed until budget announcement reveals tax rates.

LONDON (Cable)—The atmosphere has cleared in Britain, and the tone is more cheerful following the settlement of the main problems with Italy and the prospect of more stable conditions in France, but business has been hesitant because of the uncertainty over the budget, which is expected to be announced Apr. 26. This will reveal whether or not Britain is to be confronted with fresh taxes.

Stock markets were more active at the beginning of the week on the improved international outlook, but Wall Street reactions to the Roosevelt spending program acted as a damper as the week progressed.

The agreement with Italy so far covers only political issues. The lack of any clause covering German activity in Spain is a worry to some mining and manufacturing interests who are aware of the important inroads

Germany has made in this market following its cooperation with Franco and the Italians. A second pact with Italy covering credit and trade is expected as soon as the Spanish situation is cleared up. It is expected to include credits, in spite of general opposition in London to such a move.

Cooperative wholesale society business showed a gain in Britain last year of 11%. As a result of this gain, plans have now been approved for the expansion of the societies' factories at a cost of more than \$13,000,000.

Like New York (page 17), London is interested this week in a new milk distribution scheme. Following suggestions made in a report by the National Food Council, a bill has been presented in Parliament calling for the turning over to the largest single distributor in each district the exclusive right to supply specified districts. This would cut out the little distributor entirely. It is expected to be tried out in experimental areas before being legalized for the whole country.

Germany

General Motors boosts exports from Germany, increases domestic cash sales.

BERLIN (Wireless)—Germany reacted: 1. Favorably to the announcement of the Anglo-Italian agreement, because it lessens the fear of war in Europe;

2. Favorably to the new French cabinet, which is expected to give France a strong government and to revive the prospect of closer relations between Berlin and Paris;

3. Skeptically to the new pump-

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...ing program in the United States. If it works, it should boost world commodity prices and help Germany recover some of the export trade it has lost in the last few months. If it fails to win support, Germany will find it necessary to boost exports in some other manner, or curtail imports.

Germany's national budget figures may again be made public, after a period of secrecy extending back to 1934. Semiofficial reports that this is coming circulated in Berlin this week.

General Motors was in the automobile limelight this week when Germany released data covering first quarter production. In the first three months of this year, the Adam Opel Co., GM's German subsidiary, exported 12,500 cars. This was not only an increase of 77% over the corresponding figure for 1937, but amounted to almost 50% of the company's sales. This is in line with recent trends. Exports absorb an increasing share of Opel's German production, and production itself is expanding much more slowly than it did a few years ago. Output increased last year only 7.8%, while total German automobile production gained 11%.

One interesting feature of Opel's annual report for 1937 is the increase in the percentage of cash sales in the domestic market indicating the strengthening purchasing power of German automobile buyers. In 1930, the ratio of cash sales to total sales was 33%. This rose to 50% in 1935, and to 65% in 1937.



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An Executive Faces Many Problems

Executive problems are interrelated -- nothing is gained by overcoming one at the expense of another. Success depends on the smooth functioning of this cycle -- cash, merchandise, sales, receivables, cash.

Receivables constitute the weak spot in the cycle because the status of your debtors' business 30, 60, or 90 days after shipment is utterly unpredictable. You may or may not be paid.

American Credit Insurance

keeps receivables safe by reimbursing policyholders for losses through insolvencies and reorganizations, and by liquidating delinquencies. Thus profit is assured on goods sold under the terms of the policy. Capital is secure -- and liquid, too. With inhibiting fears removed, credit granting is expedited and sales definitely stimulated.

"American" Credit Insurance has proved its worth to Manufacturers and Jobbers for 45 years. Wider coverage than ever is now available. Individual Debtors, Special Groups, or all accounts on your books may be insured at reasonable rates. Ask any "American" Representative for further information.

Latin American Credit Ratings

First quarter 1938 credit and collection ratings, prepared by National Association of Credit Men.

Credit Conditions

Good: Argentina, Panama, Puerto Rico, Peru, Venezuela, Cuba

Fairly Good: Guatemala, Costa Rica, Chile, Colombia, Dominican Republic, Paraguay, Haiti, Salvador

Fair: Brazil, Honduras, Mexico, Ecuador, Uruguay

Very Poor: Bolivia, Nicaragua

Collections

Prompt: Argentina, Panama, Peru, Chile, Guatemala, Puerto Rico, Cuba, Costa Rica, Salvador, Dominican Republic, Venezuela, Mexico, Haiti, Paraguay, Ecuador

Fairly Prompt: Honduras, Brazil, Colombia

Very Slow: Bolivia, Uruguay, Nicaragua

AMERICAN CREDIT INDEMNITY CO.

of New York . . . J. F. McFadden, President
Chamber of Commerce Building . . . St. Louis, Mo.
Offices in all principal cities of United States and Canada

Canadian Business Roundup

First quarter shows much smaller decline than in United States. Dominion rail equipment orders and arms business from Great Britain boost heavy industries. Current activity is up.

This Week: Business in Canada has apparently reached a recession bottom this week. Carloadings are fractionally higher than a week ago; bond prices are up; there is slightly greater activity and a more cheerful tone on the stock exchanges. After declining slowly since the beginning of January, the economic index of the Dominion Bureau of Statistics registered a slight gain.

First Quarter: Canadian business generally had a better first quarter than did business in the United States. Activity will probably register a loss of not more than 12% over the prosperous first quarter of 1937 when final returns are published. This compares with a decline of more than 27% in the United States, as registered by the *Business Week* index.

Newsprint production during the first quarter dropped 25% below last year. Construction, iron and steel production, and electric output were slightly lower, and automobile production was down. Mining production, after setting an all-time high last year, continues to increase. The tobacco industry is more active than during the first quarter of 1937, and life insurance sales have gained.

Department store sales, according to the records of the Dominion Bureau of Statistics, are running about 8% behind last year, though a part of the March decline was due to the late Easter. In the wholesale trade, inventories at the end of January—the latest

period covered—are generally a little more than 2% larger than last year. Grocery inventories are nearly 4% lower than last year.

The agricultural outlook is brighter than a year ago. Wheat in storage amounts to only 44,000,000 bu., compared with 81,000,000 bu. at this time last year. Western provinces report plenty of rainfall this year, and excellent crop prospects.

In the heavy industries, steel ingot output in March was almost back to the level of March 1937, due in part to large railroad orders and in part to the armament orders coming from Great Britain. These are expected to increase during the summer.

New passenger car registrations in eastern Canada for the first two months of the year show some interesting changes in comparison with last year:

	1938	1937
Ford	2,640	2,684
Chevrolet	1,536	2,105
Plymouth	1,263	1,487
Dodge	1,260	1,780
Pontiac	564	716

Because business in the Dominion continued comparatively much more active than in the United States, Canada remained a good market for United States goods. Sharply curtailed exports to the United States (March business was barely one-half what it was a year ago) are one of the most important factors behind the decline in business activity in the Dominion.

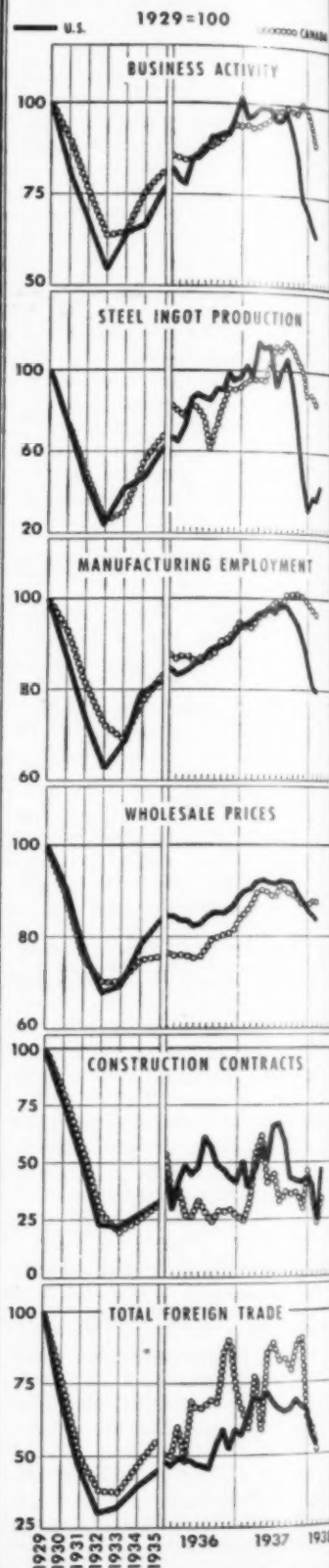
Canadian Business Check List

	Weekly Index Numbers		
	April 9, '38	April 2, '38	April 10, '37
General Index	106.8	106.0	114.2
Carloadings	71.6	71.5	85.3
Bank Clearings	92.9	90.4	113.5
Common Stock Prices	93.1	92.5	141.3
Shares Traded	169.5	136.4	491.5

	Monthly		Cumulative from Jan. 1—	
	1938	1937	1938	1937
Automobiles (number) (February)				
Production	16,066	19,707	33,690	39,290
Domestic Sales	7,084	9,202	13,914	17,859
Exports	7,292	4,436	12,187	9,750
Pig Iron (tons) (February).....	61,447	61,995	136,309	128,395
Newsprint (tons) (February)				
Production	202,601	275,532	425,101	565,166
Exports	139,734	222,944	309,243	482,488
Electric Power Output (kw.)				
(000 omitted) (February)...	2,057,604	2,146,578	4,337,957	4,464,484
Construction Contracts (March)	\$10,417,700	\$16,058,100	\$26,109,400	\$41,409,100
Life Insurance Sales (February)	\$31,874,000	\$30,604,000	\$62,480,000	\$59,368,000

Business Week

TREND OF BUSINESS CANADA AND U.S.



Money and the Markets

As markets pause to evaluate Washington credit maneuvers, profit-taking holds sway. Bonds retain most of their gains and tax-exempts advance under "scarcity" threat. No inflation boom in commodities.

PROFIT-TAKING held most of the financial markets in check this week. Stock buyers were attempting to appraise a little more accurately the credit drive launched in Washington (page 13). In addition, from a technical standpoint, prices were due for some correction after an advance of about 25% from the lows recorded in March.

Commodity markets, in the aggregate, haven't scored much of a rise on the new credit program excepting in related instances such as rubber and cotton. There is, of course, a good deal of inflation talk, but it hasn't taken hold sufficiently to create any psychology approaching an inflation psychology in the marketplaces.

Scarcity Value Angle

In bonds, most of the recent rally has retained. Government obligations continued in favor after last week's rout. Apparently the rising agitation for termination of tax exemption, so far as future government and state issues are concerned, is playing a part. That is to say, if there are no issues of tax-exempt bonds henceforth, there will be a scarcity value added to those already outstanding.

The week witnessed the largest corporate bond offering since early in February. On Thursday a Morgan Stan-

ley & Co. syndicate placed on the market the \$60,000,000 issue of Consolidated Edison of New York, due in 30 years, at a price of 101½. This issue, which nets the utility par, replaces a like amount of Consolidated Gas 4½s and effects an interest saving of \$600,000 annually.

Several other important pieces of corporate financing still are on the fire (*BW—Mar 19 '38, p. 22*), but it is unlikely that much activity will develop until both stock and bond markets display considerably greater stability. Encouraging as the rally in the last fortnight has been, there still are plenty of bears around. The current crop of first quarter reports, which include many unsatisfactory showings, and the failure of business to move appreciably either up or down are effectively restraining optimism.

Cocoa Yes, Cocoa No

Plan to end hold-up of Gold Coast crop gets good start but bad finish.

THE AFRICAN Gold Coast's cocoa hold-up last week was terminated—for a few hours. Negotiations for orderly marketing of the Gold Coast's \$30,000,000

crop—the natives stubbornly had held it off the market for six months—apparently were about to succeed. But the farmers vetoed the plan.

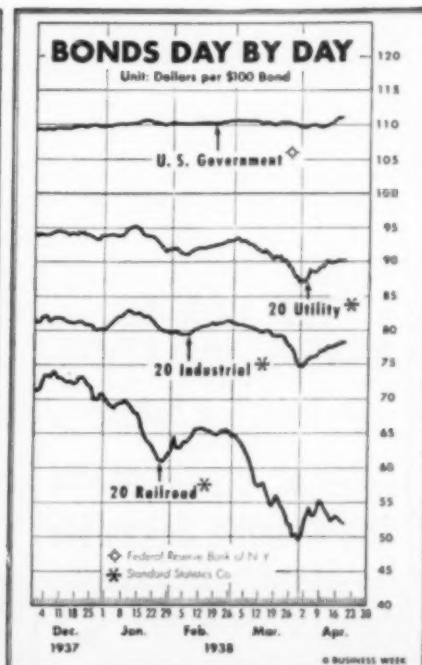
Proposals to end the shipping embargo were put forward by the British commission sent out by the colonial office in London (*BW—Apr 9 '38, p. 36*). In brief the plan was to market the stored beans by means of a quota system. The native chieftains, who are empowered to negotiate but not to act until they get consent of the farmers, were inclined to accept. But a mass meeting the next day voted them down.

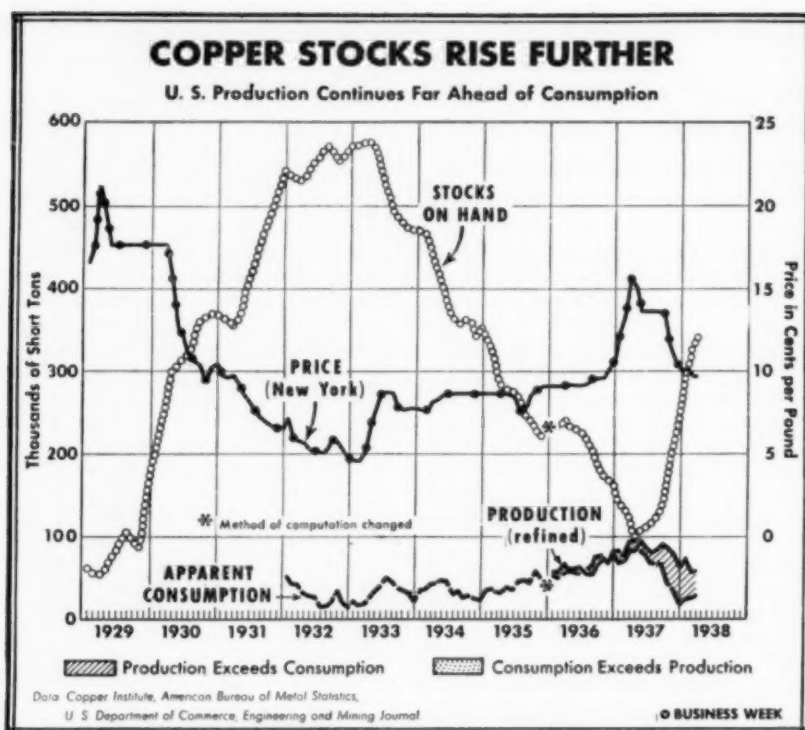
Accounts of what happens in Gold Coast affairs invariably differ. One story is that details of negotiations leaked, that London speculators sold cocoa futures to the detriment of prices, and the natives got sore. Another is that the British buyers' pool (embodying practically all of the big merchants) denied that they were to disband, and that the natives were unwilling to break the "strike" unless the merchants also backed down.

Market Further Complicated

Regardless of what version is true, the new turn of affairs further complicated an already confused market situation. Those who feel that the Gold Coast hold-up will raise cocoa prices figure that their position has been strengthened. Those who insist that the holding movement is bound to collapse (due to the natives' need for cash, if for no other reason) say they have not been shaken in their belief.

The group which is optimistic on prices argues that the natives' refusal to compromise proves that they are not desperate for money. In addition, the





rainy season is at hand, the growers haven't adequate storage facilities, and considerable spoiling of beans is anticipated (an undetermined amount of damage already has been done).

Those who refuse to worry about the hold-up continue to believe a crop surplus is a crop surplus, no matter how hard the Gold Coast tries to distort the picture by refusal to ship. These interests expect other producing areas to supply the demand until shipments from Africa are resumed.

Meanwhile the British commission remains on the ground—to gather data for a report to Parliament, if not to settle the hold-up. The hope is to work out a comprehensive marketing plan for future years.

Customers' Safety—The movement to afford customers a greater degree of

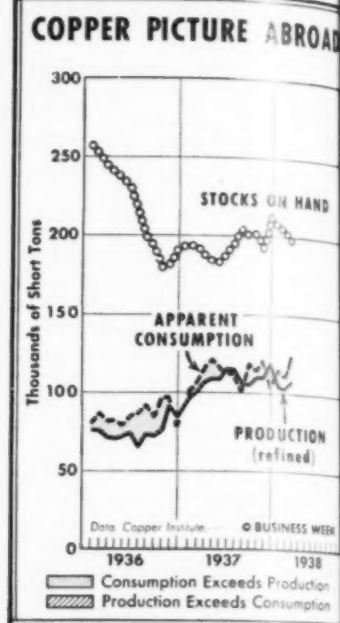
safety in case of a brokerage failure is rapidly gaining headway. The first step apparently will be a more elaborate check on brokers' borrowings.

After conferences with the Securities and Exchange Commission, New York Stock Exchange officials have let it be known that a new system of reports is likely. Unsecured loans and loans to individual partners rather than to firms are to come under the closest scrutiny. It is proposed that both the lender and the borrower be required to report these transactions. The idea is to prevent a firm or a partner from getting in too deep.

The proposal that the exchange exact a tiny fee on each stock transaction to set up a fund to make good customers' losses arising from members' failures also is attracting attention.

Loopholes—New regulations designed to prevent failures of stock exchange member firms and to minimize losses when failures do occur will necessarily leave a lot undone. Most losses arise from operations of firms which are not members of any exchange. They register with the SEC, state the names of the partners, and list assets and liabilities. But the SEC doesn't require financial statements at regular intervals and can't watch their every move.

Such a failure occurred in Chicago late last week, and probably cost investors between \$500,000 and \$1,000,000. Too high overhead was blamed for alleged speculation and misuse of customers' funds. Three officers of the investment house—Hoagland & Allum—face state and federal prosecution.



Record use abroad was the bright spot in the March copper statistics. U. S. exports were unusually high—11,140 tons.

Airline Sold—Sale of Eastern Air Lines by North American Aviation Inc., for \$3,500,000 went off on schedule this week (*BW—Mar 12'38, p. 17*). Capt. E. V. (Eddie) Rickenbacker is president of Eastern Air Lines, Inc., the new company; the purchasing group includes Harold S. Vanderbilt. Set public offering of 416,666 shares of common stock at \$10 a share has been made by the bankers (Kuhn, Loeb & Co. and Smith, Barney & Co.) who backed Rickenbacker and his associates in bidding for the properties.

Paul H. Brattain continues as vice president of the company, and Joseph J. Mehl as secretary and treasurer. The new board of directors includes the officers, Mr. Rickenbacker; Mr. Vanderbilt; Paul M. Davis, Nashville banker; William B. Harding of Smith Barney & Co.; George B. Howe, Tampa banker; Hugh Knowlton, Kuhn, Loeb & Co.; W. L. Moore, Atlanta; and Stuyvesant Peabody, Chicago.

Rubber's Rally—After dropping from 15½¢ a lb. to 10½¢, spot rubber quotations in the last couple of weeks have recovered quite briskly. In fact, early this week, about 40% of the drop had been wiped out before profit-taking was encountered.

Apparently Washington's "reflation" program has been the major factor in the April rally. It should be noted, however, that the March statistics were a bit more favorable and that a technical rally was in order after a 3¢ drop in price.

The crude rubber statistics compiled

THE COMING RESCUE INFLATION

By Major L. L. B. Angas

Author of "The Coming American Boom",
July 1934

Reprinted in this 40-page pamphlet (just
published) is the Author's end-March
brochure to his clients entitled

The Coming Scramble for Stocks (and Labor)

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by the Rubber Manufacturers Association show that apparent consumption rose to 30,487 tons in March. This compares with 23,868 tons in February and was the best since last November. However, the figure is low when compared with the 54,064 tons consumed in March of 1937 and the average of approximately 52,000 for the first six months of last year.

This country's imports of crude rubber in March amounted to only 35,967 tons, the smallest total for any month since March, 1936. Imports exceeded consumption by only about 5,500 tons whereas in February the excess had amounted to a little more than 20,000 tons.

Stocks on hand, at 294,024 tons, were the largest since the end of 1935 even though the rate of increase slackened in March.

Resistance Point — Cotton prices have rallied about \$2.50 a bale in the last few days. However, when the price crossed 9¢ a lb. early this week the upswing lost most of its vigor. It will be recalled that New York spot prices got up to 9.37¢ on the February rise only to encounter selling.

The action of the market on these two rallies adds evidence of the fact that prices fractionally above 9¢—the government loan price—are something of a ceiling at the present time (BW—Feb 26 '38, p. 49).

The loan price, as a matter of fact, seems to be exerting a much larger influence on the market than any other factor or group of factors. This was further demonstrated during recent sessions when Congress amended the new farm law and added about 2,000,000 acres to the cotton-planting quota for 1938. That brings total acreage to a little over 28,000,000 and makes possible a yield of 12,000,000 bales under very favorable circumstances.

That production, at present rates of consumption, would be about equal to foreign and domestic consumption of American cotton for a year. Considering the fact that there will be a carry-over of approximately 13,000,000 bales at the beginning of the new cotton year next Aug. 1, it is obvious that the rise in cotton isn't due to the supply situation. Thus, the addition of 2,000,000 acres to planting quotas wasn't exactly bullish, but it appears that the news was outweighed by the new recovery drive.

Some Statistics—Domestic consumption of cotton from Aug. 1 through Mar. 31, the first eight months of the cotton season, totaled only 4,024,000 bales against 5,298,000 in the similar period of the preceding season. The drop is made to appear exceptionally wide because the comparison is with the banner year for domestic use. The

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following tabulation shows domestic consumption (figures in bales) over the past few years:

	1938	1937	1936
Jan.	435,000	679,000	590,000
Feb.	428,000	666,000	516,000
Mar.	511,000	777,000	531,000
Apr.	—	719,000	557,000
May	—	670,000	531,000
June	—	681,000	555,000
July	—	583,000	607,000
Aug.	—	604,000	574,000
Sep.	—	602,000	630,000
Oct.	—	526,000	646,000
Nov.	—	485,000	627,000
Dec.	—	433,000	695,000

Exports of American cotton for the first eight months of the present season have totaled 4,656,000 bales, comparing fairly favorably with the previous year's disappointing figure of 4,389,000 for those months. Exports and domestic use through March added up to 8,680,000 bales against 9,687,000 a year earlier and 8,896,000 in the comparable 1935-6 period.

Cottonseed Oil and Lard—The commodity markets this week witnessed the unusual spectacle of May cottonseed oil futures selling above the May contract for lard. The nearby cottonseed oil delivery, as a matter of fact, was in new high ground for the season while May lard was sagging to a new low.

Inasmuch as it is customary for lard to sell a cent or more higher than cottonseed oil, the narrowing of this spread has been attracting attention for some time (*BW—Mar 19 '38, p. 54*). The shift in position may be in part explained by the fact that vegetable oils have been widely advertised by the vegetable shortening people in order to increase their acceptance.

Another factor in the strength in cottonseed oil is the prospective short production this year. The limitation of cotton acreage accounts for this. Buyers have been taking a record quantity of the oil from the large 1937 outturn, perhaps in anticipation of shortage. Meanwhile, lard supplies have been adequate and storage demand hasn't been exceptional.

Apparent consumption of cottonseed oil, as represented by deliveries, from Aug. 1 to Mar. 31 (in bbl. of 400 lb.) compare as follows:

	1937-8	1936-7
August	316,781	253,426
September	394,499	261,922
October	484,633	242,088
November	435,386	264,192
December	358,329	351,616
January	369,149	306,558
February	428,531	176,636
March	359,577	219,300

Eight months. 3,146,885 2,075,922

The persistent character of the demand for cottonseed oil, in view of the relatively favorable price for lard, has been somewhat surprising to the trade. The eight months' apparent consumption exceeds all previous records by a substantial margin.

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Editorially Speaking—

ABORIGINAL Americans liked their liquor, says a Yale anthropologist. In fact American liquor-drinking aborigines were aboriginated with them.

WE don't remember Georgette Thomas; maybe we never even heard of her. But her name cropped up in the news not long ago, though she has been dead 51 years. At the end of her life she did an astonishing thing. In France a woman named Josephine Morx was recently sentenced to the guillotine for murder, and the United Press recalls that the last woman beheaded in France was "Georgette Thomas, in 1887. Madame Thomas bit off the thumbs of the executioner."

WE'VE been puzzling over a picture of Miss Diamond Walnuts helping a New York City park official plant a walnut sapling in a park. He's shoveling dirt into a hole from which the sapling emerges, and Miss Diamond Walnuts is standing at the edge of the hole, with one bare arm outstretched to the sapling, which she is holding in place. Her pose is a bit on the clumsy side, one foot near the hole, the other a yard away, leaving room enough for a beer barrel to roll between her bare legs, if anybody had a beer barrel, but all anybody's got is a walnut sapling.

When we speak of Miss Diamond Walnuts' bare legs, we don't mean entirely bare. Only up to about nine inches above the tense kneecaps. Above that there's an amputated skirt, a blouse, and something that resembles a small silk edition of a man's vest (no pockets, though). Miss Diamond Walnuts also wears a flat-topped, pancakey dark hat, with a flat rim. An elastic band under her chin keeps the hat from going A. W. O. L. Miss Diamond Walnuts is a blonde, with an uneasy grin and a page-boy bob. You'd be uneasy too, standing there with your bare legs in the wind and stretching over to clutch a sapling.

THIS sapling, it seems, was sent by the California Walnut Growers Association. So far so clear. The association is out for publicity, and if it chooses to call a girl Miss Diamond Walnuts, why not, as long as Miss Diamond Walnuts doesn't object? But what perplexes us is the girl's duds. Where from and how come? Somebody tells us he read somewhere that this costume is supposed to be piratical and it's what the page-girls at the San Francisco World's Fair next year will wear. We'll be seeing you, Miss Diamond Walnuts!

In the Fiji Islands, says Dr. Dorothy M. Spencer of the University of Pennsylvania, politeness is so highly prized

that anyone who is treated impolitely is apt to kill the offender or else kill himself. Things would be much simpler if only one of these alternatives were admissible. If the first of them prevailed, impoliteness in the Fiji Islands would soon cease to exist. But if the islanders all chose the second alternative, then anybody who wanted to could make everybody he wanted to kill himself. And the only people left alive in the Fiji Islands would be the impolite.

If there's anything we can take with perfect equanimity, it's the delighted squeal of readers who find that they can do our puzzles in less than par. For they aren't our puzzles; we crib 'em or borrow 'em from someone else. The latest one came from the Gentleman on the Statistical Desk, and it must have been a mite easier than he thought, for everybody who answered got it right: the dividend is 10020316, the divisor 124.

Half an hour was par, but one Pittsburgh answer was arrived at in 20 minutes; and R. D. B., Jr., and J. R. H., of Pittsburgh, wrote jointly that it took them "less than 20 minutes"; and a Chicago girl whose name might be Gem Heap, but isn't (though it's something like it), and who might sometimes be known glitteringly as "The Princess," but isn't (though she has another royal nickname)—we hope this sentence is involved enough to suit any lover of complicated and muddy prose—well, anyhow, the aforementioned girl sends the correct answer and appends a P. S.: "Worked this out on the back of the menu while waiting to be served lunch today. Excellent service at the restaurant, too!" All right, brag! But there'll be no more puzzles on this page for a right smart breathing-spell.

THE United States exported \$1,200,000 of chewing gum last year, four times the value of its chocolate candy exports. After all, chocolate candy isn't of American origin, while chewing gum is. Wherever Americans have gone in considerable numbers, there you find people chewing gum, and little children have learned to beg for it. "Choon gom" they used to say to the American soldiers in France, and also in Archangel and Siberia.

Older people enjoyed it, too, when they could get it. Back in 1919 there was a girl on Kopeck Hill, in Vladivostok, who chewed gum all the time, chewed it ceaselessly and rhythmically, chewed it with the 31st Infantry, chewed it with the 27th, chewed it, chewed it, day and night—even in her biggest moments.

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A NEW YARDSTICK FOR YOUR MARKETS

FOR executives who gear production and distribution facilities to the market, Business Week's report on "The American Way of Living" is of vital interest. The first comprehensive results of the consumer survey conducted by the U. S. Departments of Labor and Agriculture were summarized in four basic charts in the April 9th issue of Business Week, with the actual figures specially arranged in 11 tables:

- 1—Annual Income of Native-Born Families in 32 Cities.
- 2—How Annual Income of Native-Born Families in 32 Cities Varies with Occupation.
- 3—How Home Ownership of Native-Born Families in 32 Cities Varies.
- 4—What Native-Born Families in 32 Cities Pay for Rent.
- 5—Annual Income of Native-Born Families in 19 Small Cities.
- 6—How Home Ownership and Rentals of Native-Born Families in 19 Small Cities Vary with Income.
- 7—Annual Income of Native-Born Families in 140 Villages.
- 8—How Home Ownership and Rentals of Native-Born Families in 140 Villages Vary with Income.
- 9—Annual Income of Native-Born Farm Families in 64 Counties.
- 10—How Native-Born Farm Families in 64 Counties Obtain Their Income.
- 11—How Farm Ownership and Value of Property Vary with Income.

These 11 tables, a map showing the location of the communities studied, and a reprint of the Business Week story, have been packaged in a pocketed folder, available to readers of Business Week for \$1.00 each. Send check with request for a copy of Business Week Plus-Data on "The American Way of Living" to Glenn Griswold, Publisher, Business Week, 330 West 42nd St., New York, N. Y.

APRIL 23, 1938

A Real Cause for Confidence

WE have had nearly a week to contemplate Mr. Roosevelt's message to Congress and his fireside address to his people—and if you doubt that there is a distinction between *his* people and *the* people, consult your files and read again the personal message in the last few paragraphs of the radio speech.

We address ourselves first to the economic import of the message and remain more than ever dubious of the wisdom of further pump-priming. The conclusion seems inescapable that financially we have reached the point where we are likely not even to recover the water we pour in the pump to prime it. For instance, out of a total governmental expenditure of \$8,879,000,000 in 1936, at least \$5,725,000,000 could be classed as pump-priming. Yet, by the government's own figures, national income for 1937 exceeded that of 1936 by but \$4,200,000,000. And 1937 was the best business year we have had since 1929.

After spending money measured in astronomical figures, we find business declining faster than it ever did before, with unemployment and relief needs keeping pace. Statistical proof that what we need is encouragement for private enterprise rather than government largesse is available everywhere.

This does not mean that the federal government could or should suddenly abandon the relief rôle which it undertook so heedlessly and enacted so blunderingly. It does become increasingly evident, however, that the government should match, on some percentage basis, state and community expenditures for direct relief and turn the dispensation of it back to local communities where it belongs.

But it is the President's philosophy and propaganda that leave us sad and bewildered. Our confusion probably stems out of these two paragraphs:

"There is placed on all of us the duty of self-restraint—that is the discipline of a democracy. Every patriotic citizen must say to himself or herself that immoderate statement, appeals to prejudice, the creation of unkindness, are offenses against the whole population of the United States.

"Self-restraint implies restraint by articulate public opinion, trained to distinguish fact from falsehood, trained to believe that bitterness is never a useful instrument in public affairs. There can be no dictatorship by an individual or by a group in this nation,

save through division fostered by hate. Such division there must never be."

That is from a President of the United States whose public addresses have been laden with vituperation and sneers; whose public appeal frequently is directly to suspicion, fear, and class hatred. It is the springboard from which Mr. Roosevelt takes off to an amazing distortion of fact and inference.

It was to have been expected that he would attempt to clear the Administration of all responsibility for this, the most abrupt, unexpected, and inexcusable depression in our history. He does this in part by saying the principal reasons for it are: "certain highly undesirable practices" on the part of business, and stresses overproduction which he says was caused by many reasons, one of which was fear—fear of foreign wars, of nationwide strikes, and of inflation. He concludes: "None of these fears has been borne out." That is offered as an example of the self-restraint and discipline, the avoidance of prejudice, and the choice of fact as against falsehood, which he says is the duty of all of us today.

We have said here repeatedly that the principal cause of the later phase of the current depression was fear. Let us see whether the fears that the President enumerates have been borne out or not.

One may quibble as to whether or not the American business man's fears of war were justified during the last six or eight months, but at least it may be conceded that war fear is an almost universal emotion around the world today, that preparation for war may be as disturbing as prosecution of it, and that something resembling war is taking place over widely scattered areas.

There is less room for equivocation when one inquires whether the American business man's fear of labor troubles has been justified. The mere statistics of labor difficulties last year might have been enough to disconcert busi-

ness had all other factors been favorable. The Labor Department itself reports 4,740 recorded strikes involving a million eight hundred thousand workers in 1937, a record never before exceeded in this country.

But the real labor fears that contributed so much to the paralysis of business grew out of the belief that the full weight and power of the government was being used to encourage if not to create industrial strife—to excuse the seizure of property and the sabotage of business, to organize labor unions rather than to right human wrongs, to cripple the employer in his labor relations. As if the passage of the Wagner Act were not enough, the machinery of government in the hands of the National Labor Relations Board seemed to be used to destroy cordial relations, to prevent negotiation and, instead, to impose the will of irresponsible labor leaders on industry. Those are some of the things that business feared and those are things that happened.

As to the fear of inflation, there is more room for quibbling. But that inflation was feared and that a definite inflationary movement did take place under direct pressure from the Administration seems undeniable. In fact it was so real that the President in this very message recites the fact that to cure it "the Federal Reserve System curtailed banking credit and the Treasury commenced to sterilize gold as a further brake on what it was feared might turn into a runaway inflation." It seems to have been natural and appropriate then for the Administration to fear inflation but stupid and subversive for business to have the same fears.

However, business has immediate reasons for putting aside many of its fears. The all-important one is that the President seems to have lost his power over Congress. Whatever his intentions may have been, his method was to destroy our economy and substitute for it one more to his liking, one which he would conjure up as he went along. It would seem that that era is ended. If so, business may indeed renew its courage and proceed to the job of producing more goods for less money, of hiring more people to consume more goods, of earning a profit in the process and out of it conserving that margin of surplus that has always been our safeguard in times of stress.

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